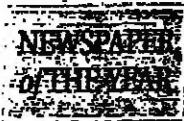


EUROPE STARES
ITS FUTURE
IN THE FACE



The Bundesbank

Compromised or
strengthened?
Page 2

Monetary union

Two steps forward,
one step back
Page 22

Carlo De Benedetti

'We must ratify Maastricht
if we want to modify it'
Page 2

Survey

Kyushu defies the
downturn
Pages 15-17



FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

D8523A

Tuesday September 15 1992

Britain isolated over dropping of EFA project

Germany has persuaded Italy and Spain to support a halt to development spending on the disputed European Fighter Aircraft, but still needs approval from Britain, the fourth national partner in the venture to end the project, according to officials in Bonn. Page 24

Sarajevo fighting flares Heavy fighting resumed in the Bosnian capital of Sarajevo, casting further doubts on the planned resumption of international peace talks in Geneva on Friday. Page 24

Harrods owners 'broke Takeover Code' The Fayed brothers were censured by the UK Takeover Panel for breaching the Takeover Code when they acquired the House of Fraser stores group, which includes the London store Harrods. The panel said statements they made during the 1988 takeover about their business interests and income-generating capacity may have created a misleading impression. Page 25

Assembly speaker on fraud charges French national assembly speaker Henri Emmanuelle, left, was charged with complicity in illicit influence-peddling. Emmanuelle is accused of receiving funds raised by front companies from construction businesses seeking preference in public tenders when he was treasurer of the Socialist party. He denies the charges. Page 4

Path to prison Ahmael Guzman Reynoso, leader of Peru's feared Sendero Luminoso (Shining Path) guerrillas, has been paraded on television in an effort to destroy the aura built up around him during 13 years in hiding. Page 24

Builders in Brussels alliance Four of Europe's biggest construction groups are to form a joint venture in Brussels to bid for large European infrastructure projects. Page 25

German jailed over immigrant's death Five east Germans were jailed for between two and four years for kicking to death an Angolan immigrant worker at Ehrenwalde near the Polish border in November 1990. A sixth offender will be sentenced later. Page 25

Oil Shareholders' besieged Norwegian insurer, announced measures to restore confidence in the group and to strengthen the solvency of subsidiaries. The group's holding company was put into the hands of state administrators last month. Page 25

Road to recovery New car sales in west Europe rose by an estimated 3 per cent to 1.043m last month as registrations recovered in Germany, the single biggest European market. Page 4

Inchequips, motor and business services group, reported a 28 per cent increase in interim profits despite tough economic conditions in many of its markets. Page 25; Lex, Page 24

UK Treasury to test markets The UK government's drive to contract out Civil Service operations to the private sector is concentrating on core Treasury functions including training and economic model building. Page 13

Students in gun battle Chittagong Medical College, Bangladesh, was closed after about 25 students were injured in a gunbattle among students trying to occupy college dormitories.

NEI Parsons, part of the Rolls-Royce Industrial Power Group, has won a £100m order to supply three steam turbine generators for the Pulasari Seraya power station in Singapore. Page 13

Mideast peace talks Israel presented Syria with new proposals when the Middle East peace talks resumed in Washington. Syria dismissed the document because it did not mention Israeli withdrawal from the Golan Heights.

Australian airlines merge Australia's international airline Qantas Airways formally merged with its domestic carrier Australian Airlines.

Dublin police in phone-tap probe Irish police are investigating allegations that the telephone of John Bruton, leader of the opposition Fine Gael party, was tapped. Prime minister Albert Reynolds said he found the latest reports "serious and personally distasteful". Page 4; kind to Ulster speech has urged. Page 18

FT STOCK MARKET INDICES

STERLING

FTSE 100 2,422.1 (-61.2)

Yield 5.92 (1.92)

FTSE Eurotrack 100 1,873.79 (+40.22)

FT All-Share 1,140.51 (-14.93)

FT World Index 12,523 (-1.17)

Nikkei 18,471.49 (+983.71)

New York close 3,575.22 (+70.52)

Dow Jones Ind Ave 4,553.37 (-55.37)

S&P Composite 455.37 (-15.69)

FTS 100 10.5 (-0.5)

FTS CLOSING RATES

DOLLAR

Federal Funds 3.1% (3.0)

3-mo Treasury Bill Yld 3.50% (2.95)

Long Bond 7.250% (7.250)

Yield 7.250% (7.250)

LONDON MONEY

3-mo Interbank 10.1% (10.1%)

Libr long gilt return - Sep 92 5.0% (5.0%)

NORTH SEA OIL (Argus)

Brent 15-day (Oct) 32.87 (20.42)

GOLD

New York Comex (Sept) 324.65 (340.9)

London 324.65 (340.9)

London close Y 324.88

Germany's small rate cuts dampen euphoria

By Our Foreign and Economics Staff

THE Bundesbank yesterday cut its official interest rates for the first time in nearly five years, but the size of the reductions disappointed European markets.

At a special council meeting in Frankfurt, the German central bank reduced the Lombard rate by 5 percentage point to 9.5 per cent and the discount rate by 5 point to 8.25 per cent.

The rate cuts were agreed in principle at the weekend as part of an unprecedented financial package finalised by the European Community nations and involving a 7 per cent devaluation of the lira in the European exchange rate mechanism.

The announcement, which followed months of intense pressure on Germany to ease borrowing conditions, led to sharp rises in European share and bond markets. It also caused investors to switch funds out of D-Marks and into dollars, in a development which reduced the recent strains in the ERM.

Some market observers, however, registered disappointment that the rate cuts were not greater. Optimism over the wider effects of the Bundesbank's policy change was also tempered by continuing nervousness on cur-

rency markets ahead of Sunday's French referendum on the Maastricht treaty.

Mr Helmut Schlesinger, Bundesbank president, said the bank had been caught in a "foreign currency trap" arising from its obligation to support the lira on currency markets under ERM rules.

Speaking in Frankfurt, Mr Schlesinger said the decision to cut rates "was not an easy one for us". Last week's intervention by the Bundesbank to support the lira had led to flows into Germany of DM24bn (£16bn), far more than in any previous currency crisis.

Bonds also benefited as indications that borrowing costs across Europe may come down. German, Italian and French government bonds all gained up to 2 points, while UK gilts closed 1.5 points higher.

This explained why it was cutting rates as its contribution to alleviating exchange rate tensions, though German inflation was still too high and money supply targets not being met. About the size of the cut in the Lombard rate, he said: "With our targets for monetary policy there is no room for more".

Mr Schlesinger said the rate reductions could be seen as being in line with the needs of a weakening economy and as a gesture ahead of efforts in Bonn to bring about more moderate wage and fiscal policies he stressed market pressures had forced the Bundesbank to act.

Sterling peaked at DM2,621.25 in early trading yesterday, and closed in London at DM2,512.5, up more than 2 pennies on the Friday close. At this level it is less

than 3 pennies above its DM2,773 ERM floor against the D-Mark.

Belgium, the Netherlands, Austria and Switzerland - countries which traditionally closely follow the level of borrowing rates in Germany - all moved yesterday to cut their interest rates.

On Wall Street, share prices were also buoyed by the stronger dollar and the possibility of another cut in US interest rates.

At 3pm in New York, the Dow Jones Industrial average was

56.47 points higher at 3,362.17.

This explained why it was cutting rates as its contribution to alleviating exchange rate tensions, though German inflation was still too high and money supply targets not being met. About the size of the cut in the Lombard rate, he said: "With our targets for monetary policy there is no room for more".

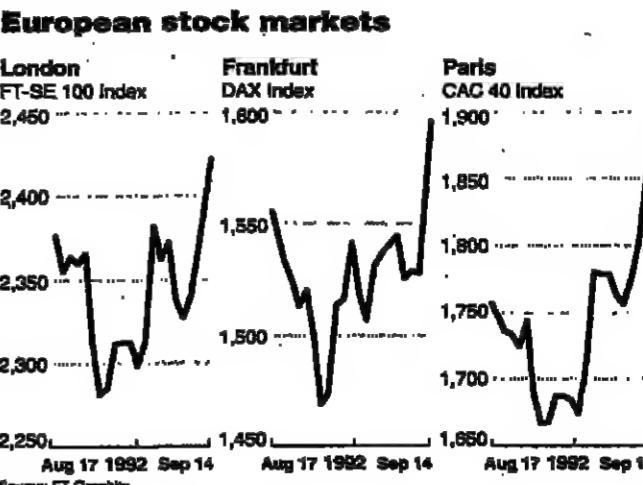
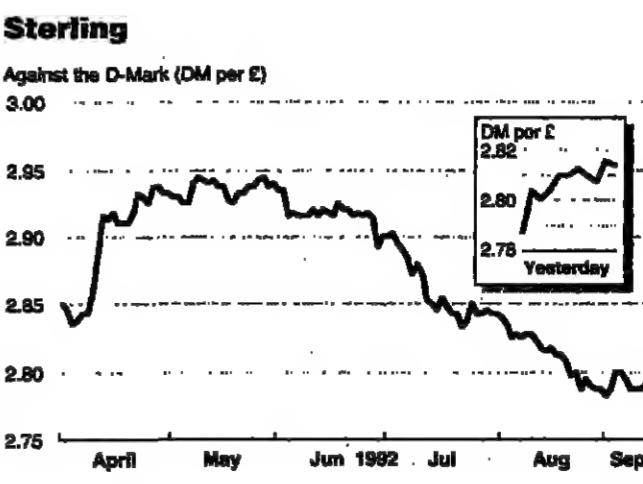
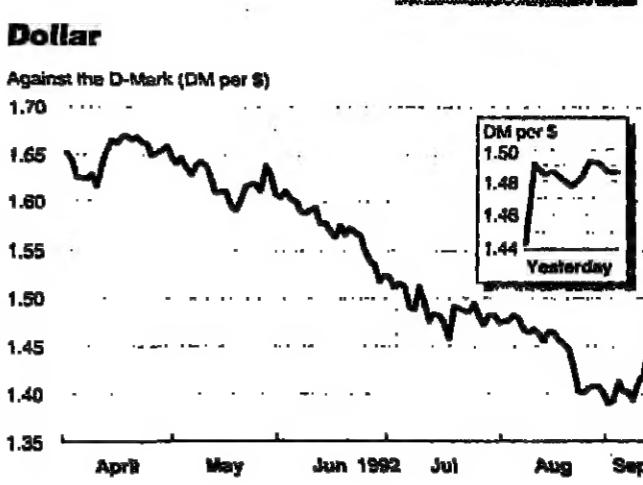
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Bankers and economists had

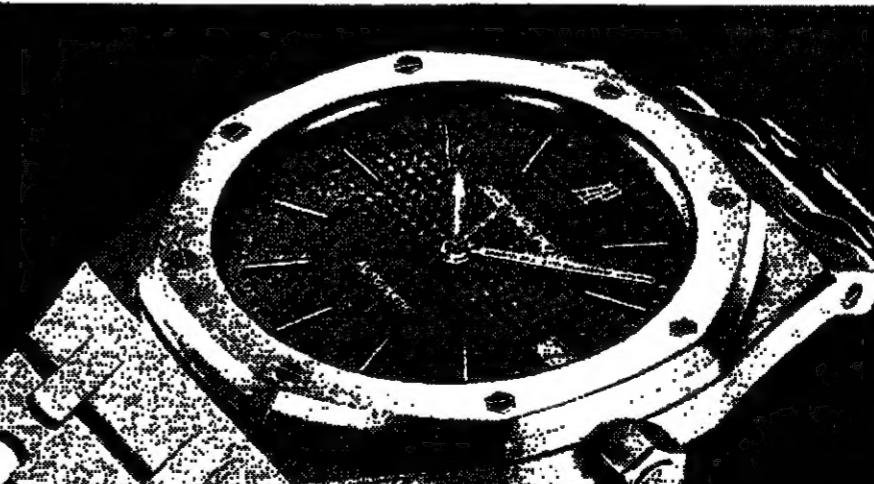
Continued on Page 24

'There is no room for more'

Bundesbank president Helmut Schlesinger (right) yesterday in Frankfurt



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NEWS: THE ERM AND MAASTRICHT

Bundesbank cites market pressures and future German policy changes as reasons for cuts

Schlesinger puts on a brave face

By Andrew Fisher in Frankfurt

If Mr Helmut Schlesinger felt any embarrassment yesterday, he did it well at the press conference called to announce the Bundesbank's about-turn on interest rates.

After months of maintaining a solidly anti-inflation stance, and asserting its determination to bring the wayward money supply under control, the German central bank has cut both its key rates under acute pressure from financial markets and, clearly, politicians.

Since the cuts in the discount rate from 8.75 to 8.25 per cent and the Lombard rate from 9.75 to 9.50 per cent come as the west German economy is weakening and the east German economy recovering more slowly than hoped, Mr Schlesinger, the Bundesbank's president, was able to state that the consequences of the move "should certainly fit into the present situation". The German economy was not in a recession, but showing signs of weakness.

Also giving the rate cuts – the first since 1987 – a domestic gloss was the hope that Chancellor Kohl's call for a solidarity pact, including low wage deals, with industry, unions, and regional states, to sort out the problems of unification and its financing would bear fruit.

Thus Mr Schlesinger said the rate reductions, accompanied by a move to lower money market rates from 9.7 to 9.2 per cent by moving to a fixed rate tender at this week's securities repurchase operation, were also "a certain advance concession" to possible changes in wage and fiscal policies.

But he emphasised in the same breath that it was the predicament the Bundesbank

had been pushed into by external market pressures that caused its move. German inflation was still "markedly high".

Last week's inflows caused by intervention to prop up the lira in the European Monetary System had totalled some DM24bn. Thus the Bundesbank asked the Bonn government to press for a quick realignment.

The government could have rejected this. "Then our foreign exchange window would have been open today – and billions of D-Marks more would have poured in and tomorrow, and the day after," Mr Schlesinger said. As it is, funds should now flow out, easing the extra strain on money supply.

The fact that the Bundesbank was forced to lower its rates long before even the most optimistic observers had expected shows the extent of the predicament it was in. Last week, Mr Otfmar Issing, a prominent director of the central bank, reassured its commitment to firm money supply targets and said there was no reason yet to "sound all clear" on policy.

Yesterday, Mr Issing did his best not to look like someone forced to eat his words. "This was outside our calculations". Today, the bank was in a better position than last week. "You can forget M3 and so forth if a situation like last week continues. You have to imagine the dimensions involved".

Not that M3, the broad monetary aggregate, has been forgotten. M3's rapid growth, well outside the 3.5-5 per cent target range and inflated by the pressures of unification, has been a main reason for Germany's high interest rates.

Yesterday, Mr Schlesinger said M3 growth may have eased slightly from the 8.5 per cent annualised rate of July, but the

target would not be achieved in 1992. It would remain a medium term objective, however.

The scale of the intervention had put at risk the Bundesbank's ability to maintain its policies. "The amount was extraordinarily high, higher than ever before in a speculation crisis". He added:

"We were in a situation in which we, with the strongest EMS currency and thus having to absorb all the funds, were

really no longer in a position to continue our monetary policy". He compared the inflow with the DM16bn of Bundesbank intervention during the 1973 currency crisis as the Bretton Woods system of fixed exchange rates collapsed and the DM15bn before the last EMS realignment in 1987.

Why was the Lombard not cut by more, Mr Schlesinger was asked? He said the decision to push money market rates down to 9.2 per cent at

the next tender would ease foreign exchange pressures and keep these rates below the Lombard emergency funding rate. "It is the money market rate which defines the problem on the foreign exchange market, not the Lombard rate".

Asked if he had considered resigning, Mr Schlesinger replied: "This question does not arise for me, in view of the circumstances." His deputy, Mr Hans Tietmeyer, said the rate cuts were not made under pressure from EC partners. "The decision is a sovereign decision of the Bundesbank itself."

Mr Tietmeyer said the realignment showed that the EMS rules, allowing for parity adjustments when necessary, still applied. He denied it was a move against Maastricht, where EC leaders last year agreed on progress towards European monetary union. "Until then, the EMS applies – with fixed, but adjustable rates."

Relief and anxiety jostle for supremacy

By Quentin Peel in Bonn and David Walker in Frankfurt

German economy was still apparent.

The August figure for the cost of living index rose 3.5 per cent compared with the previous August, against only 3.3 per cent in July.

Mr Stihl said that German industry must watch acutely to see if the independence of the Bundesbank is properly protected.

It was clear that the size of the cut was not in question, so much as its manner and direction.

A number of economists also claimed that the cut – and the way in which the bank appeared to have been bounced into the decision in the wake of political pressures – had dealt a serious blow to the central bank's anti-inflation credibility and that this would, in time, lead to an erosion of the D-Mark's role as anchor currency of the EMS.

"I was surprised and shocked," said Mr Thomas Mayer at Goldman Sachs in Frankfurt.

"The Bundesbank has changed its course, reducing the importance of monetary targeting. The interest rate cut shows the Bundesbank reacting in a way more befitting a future European Central Bank, reacting to political pressure, to tensions in the ERM and to pressure on the lira."

"It is a relief for the markets because the stranglehold of German policy has been eased. But if we believe the Bundesbank's arguments that inflationary developments in Germany are worrisome – and the rate cut does nothing to change that – the move may undermine the D-Mark's status as anchor of the ERM. The D-Mark was the anchor because the Bundesbank always directed its monetary policy at German fundamentals, but this has now changed."

Mr Lothar Wenzler at Salomon Brothers in Frankfurt said: "The Bundesbank was forced into this, reacting to pure political pressure, with very serious consequences on how the central bank will be perceived and how it will be able to operate in the future. It will contribute to the image of a seriously weakened Bundesbank."

At Hamburg's Landesbank, Mr Konrad Kentmann, chief economist, said: "They could have done it earlier, and then again they needn't have done it now."

"It raises all sorts of questions about the Bundesbank's credibility. Autonomy has always been one of the Bundesbank's most important assets but now doubts about this will intensify."

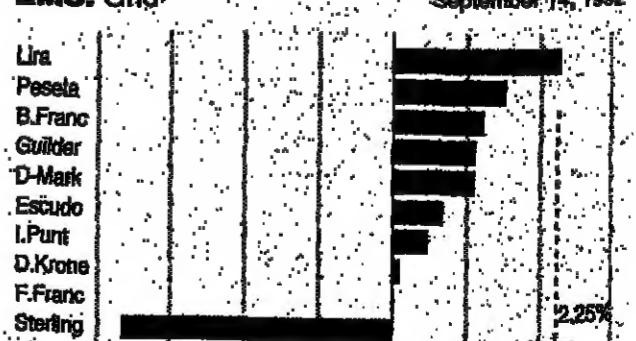
In this respect it is not a good omen for European monetary union, lending weight to the arguments of those sceptics who argue that Europe's central bank will have no real authority."

The cut showed that the Bundesbank move to increase interest rates earlier this summer was misguided, Mr Kentmann said.

Grid shows tensions

EMS: Grid

September 14, 1992



THE European Monetary System grid is a good indicator of where tensions lie in the exchange rate mechanism and has changed markedly since Friday night.

Following its devaluation over the weekend, the Italian lira is at the top of the grid because it is the strongest EMS currency when measured by its central rate against the Ecu.

The D-Mark is back at the centre of the grid, having been at the top for most of the last fortnight.

As the hard currency of Europe, it should be at the centre when the system is operating properly, allowing the exchange rates and monetary policies of other countries to be altered around it.

Sterling, at the bottom of the grid, seems increasingly under pressure. It is 81 percentage points below its central rate.

A rule of thumb among EMS nations is that when a currency diverges more than 75 points from its central Ecu rate, its central bank should take measures to redress the balance.

Germany offered to cut rates a week earlier

By Quentin Peel in Bonn

GERMANY offered to cut its interest rates in return for a realignment of European currencies more than a week before the deal was finally done, according to senior officials in Bonn and Frankfurt.

However, agreement was delayed by the refusal of other members of the European exchange rate mechanism to go ahead with the realignment, they said yesterday. Both Britain and France wanted the Bundesbank to cut its interest rates unilaterally.

"It was the Germans who initiated the whole process," according to one

well-placed official. "We tried even before Bath [where the European Community Finance Ministers had their informal meeting on September 8], indicating that we were ready to do something on the interest rate front, providing our partners would come to grips with their domestic economic decisions."

"But in Bath the time still was not ripe."

According to the officials, the Bundesbank was not prepared to act on interest rates unless there was prior agreement on a realignment. "An interest rate cut in isolation would have indicated that the Bundesbank

was giving in, and have no effect on the markets," according to the official, who declined to be identified.

"Talks had been going on for some time, and at several levels," according to another senior official. "In the end, the market forced the pace."

The delay in reaching agreement may well have been because the Bundesbank wanted a much broader realignment of currencies than simply one affecting the lira, other sources said. They believe that such a realignment would have involved a devaluation of sterling – but the British government refused to give way.

Officials in the Bundesbank did

believe that a sterling devaluation was required by the market, although other officials said they recognised the strength of British arguments against any adjustment.

In the end, the flood of speculative money from Italy into Germany last week forced the Bundesbank to act without such a realignment.

On the German side, the deal was put together by a triangle of key officials: Mr Hans Tietmeyer, the deputy president of the Bundesbank; Mr Horst Köhler, the state secretary for finance; and Mr Johannes Ludwig, economic adviser to Chancellor Helmut Kohl.

German officials expressed surprise that the currency markets believed a realignment would come only after the French referendum. "There was no way we could wait until September 21," according to one. "If the French get any more pessimistic in the opinion polls, it would have caused havoc in the market."

A key factor in the process was heavy political pressure from the French government to cut interest rates in advance of next Sunday's referendum on Maastricht, thus persuading French voters that Germany was prepared to act in the "European" interest.

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Speculation about other currencies that could be affected by future devaluations centred yesterday on sterling, the Spanish peseta and the Portuguese escudo, all of which have traded weakly in recent weeks.

Much depends on next Sunday's referendum in France on the Maastricht treaty. If that delivers a No vote, holding up moves to economic and monetary union, investors may step up selling of the weaker ERM currencies, causing new strains in the mechanism.

There are two ways of assessing how the ERM realignment will affect the outlook for the mechanism. The more sanguine view stresses the special nature of the lira's problems, stemming from a weakening of international confidence in the Rome government.

According to this view, the 7 per cent devaluation of the Italian currency has demonstrated the capability of Europe's leaders to adjust the ERM to take into account unique circumstances of member countries.

The fact that European politicians collectively persuaded the Bundesbank to cut borrowing rates is also seen as a hopeful sign. The move led yesterday to a weakening of the D-Mark against the dollar, and so eased pressures in the ERM on the weaker currencies.

Even though the easing in German monetary policy was slight, the important factor, according to this school of thought, is that it almost certainly marks the start of further reductions in Bundesbank rates over the coming months, as the German economy starts to slow.

With this promise having lasted only two weeks in the case of the lira, the financial markets cannot be blamed for wondering whether the commitment to keep other weak ERM currencies at their central rates may turn out to be less than total.

when the lira rose back to the floor of L765.4 against the D-Mark.

One interbank dealer said yesterday that the Bundesbank's intervention provided the market with "a one-off opportunity" to make big profits. "A lot of Italian corporates, fund managers and pension funds were in on the act," he said.

The attempt to prop up the Italian currency appeared to result only in bringing huge profits to interbank speculators.

Operators were reported on Friday to be buying the Italian currency when it dropped below the official floor in the European Exchange Rate Mechanism and then selling the lira back to the Bundesbank at a guaranteed profit

strict money supply targets.

Analysts said the 7 per cent devaluation of the lira may seem small when the scale of the Bundesbank's intervention is taken into account.

The lira was overvalued against the D-Mark by about 30 per cent on a trade-weighted basis before the weekend realignment.

The size of the intervention may also worry the Bank of England, which took out a £17bn loan from international banks two weeks ago to support sterling.

If the Bundesbank's intervention last week failed to support the lira, why should anyone believe that the pound will be supported by a loan of this size," said Mr Chertkow.

Officially in the Bundesbank did

believe that a sterling devaluation was required by the market, although other officials said they recognised the strength of British arguments against any adjustment.

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S - Exchange rate of which the central bank of the country in the left hand column will sell the currency identified in the row at the top of the table.

D - Exchange rate of which the central bank of the country in the left hand column will buy the currency identified in the row at the top of the table.

UK stifles disappointment at German cut

By David Owen

THE British government hinted yesterday that a cut in interest rates had moved closer, as it put on a brave face in response to what is seen as a disappointingly small reduction in German rates.

With several European countries following the Bundesbank's lead and lowering their rates, Downing Street said the cut had "probably brought forward the time when British interest rates will move". While admitting the German move might be a "one-off", officials sought to portray it as the

start of a trend towards lower interest rates throughout Europe and said there had been "a significant change of mood".

But they reiterated Prime Minister John Major's uncompromising message last week that he would not allow sterling's value in the European Exchange Rate Mechanism to be undermined. British interest rates would be set with a view to "maintaining our position in the ERM," they said. The probability of a realignment of the pound's ERM parity was "zero".

Privately, officials suggested that the British government had succeeded in undermining the consensus view held in the markets a few weeks ago that the next move in British interest rates would be up.

The 0.25 percentage point cut in Germany's trend-setting Lombard rate was criticised as too small by British MPs.

Mr John Carlisle, a Tory Eurosceptic, described it as "desirous". "It shows that we should be free of the ERM and able to set our own levels and float the pound in the currency markets," he said. Mr John Townsend, outspoken chairman of the influential Tory back-

bench finance committee, said the size of the reduction was "very disappointing". He said he was "more than ever convinced" that the move had been motivated by the need to get a Yes vote in the French referendum.

For the Labour party, Mr Alistair Darling, a shadow Treasury spokesman, said the cut was "a lot less than people hoped". He urged Britain and other European countries to "reduce interest rates to try and stimulate the economy and to bring back confidence".

Mr Bryan Gould, the shadow heritage secretary who is also

an outspoken critic of official Labour policy over Maastricht and the pound, said the reduction was "so small it can only be regarded as a gesture". A wider realignment of ERM currencies involving sterling was still "desirable".

This view was refuted by Mr John Smith, the Labour leader, who said he did not regard devaluation as the best way of bringing British interest rates down.

In Harrogate, Mr Paddy Ashdown, Liberal Democrat leader, also described the move as "disappointing". He urged the government to "grit its teeth"

and to permit a reduction in UK rates only when sustainable in the longer term.

Mr Michael Heseltine, trade and industry secretary, called the cut as "small but welcome". "We have always argued that there was a great strength in the co-ordination of the Exchange Rate Mechanism," he said.

Downing Street sought to counter this disappointment by pointing out that yesterday's move represented the first cut in German interest rates for five years and arguing that any reduction, however small, was "significant". It said the move

showed "the benefits of international co-operation" and argued that hopes of anything other than a "modest" cut were unrealistic.

The weekend's developments had also been "useful" in dispelling the notion that sterling would have to be devalued at the same time as the lira.

Mr Norman Lamont, the chancellor of the exchequer, had been involved in discussions for addressing the crisis in the European Monetary System but the exact size of the interest rate cut had been determined within the Bundesbank.

Italian pay deal called in question

By Robert Graham in Rome

THE fate of the historic agreement between the Italian government, employers and the trade unions abolishing the system of indexed wages on July 31 has been called in question by devaluation of the lira.

All sides yesterday pledged their willingness to respect the agreement. However, the employers and unions now expect the government of Mr Giuliano Amato to provide quick evidence of its ability to hold down prices and carry out credible reforms.

Confindustria, the employers' confederation, is concerned that the government might make concessions to labour in order to retain the unions' support at a time when the economy is stagnant and unemployment rising.

The unions fear inflation will rise, undermining the basis of the outline agreement achieved in July. In addition, the trade union leadership is worried that rising unemployment in the autumn, coupled with inflation fears, will radicalise members whose disaffection may not be easy to control.

The July agreement abolished the *scala mobile* which for 47 years indexed wages to inflation.

The old system will be replaced by a limited form of compensation in wage packages for 13 months as of January 1993. This will consist of an extra £20,000 (£3.40) a month - well below the 3.5 per cent rate of inflation projected in July for next year.

Wages in July were rising at 4.3 per cent against annualised inflation then at 3.5 per cent. Thus the absence of the *scala mobile*, combined with a 4.5 per cent cap on public sector wages, has proved effective until now.

The main inflationary element has been the continued high cost of cartelised and uncompetitive services.

Confindustria estimated yesterday that devaluation would

stress the same line. But he also hit out at right-wing politicians, who were now campaigning against Maastricht but who had called in the mid-1980s for the Banque de France to get the same type of independence from the French government as Maastricht proposes for the European central bank.

This highlights the French government's awareness of the awkward ambiguity in the EC treaty. Maastricht clearly leaves EC governments control over the "bread outlines" of their economic policies, but equally forbids them to influence the directors of the future central bank, whose highest priority in setting monetary policy is to be "price stability".

Mrs Simone Veli, the centrist UDF deputy, argued that yesterday's financial moves showed "that it is the politicians who are able to bring pressure to bear on interest rates", contrary to the anti-Maastricht arguments that "it is the monetary authorities who will dictate to the politicians once there exists a [European] central bank".

Mr Bérégovoy yesterday

stressed the same line. But he also hit out at right-wing politicians, who were now campaigning against Maastricht but who had called in the mid-1980s for the Banque de France to get the same type of independence from the French government as Maastricht proposes for the European central bank.

This highlights the French government's awareness of the awkward ambiguity in the EC treaty. Maastricht clearly leaves EC governments control over the "bread outlines" of their economic policies, but equally forbids them to influence the directors of the future central bank, whose highest priority in setting monetary policy is to be "price stability".

The full details will be announced on October 6 when parliament returns from recess and Mr Bildt makes his state of the nation address.

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Russia warned of crisis over hyper-inflation

By John Lloyd in Moscow

A SENIOR Russian government official yesterday predicted a hyper-inflationary crisis by the end of the year because of the credit policies of the country's central bank. Vast sums, he said, were now being paid to sustain production - while up to 10 per cent of Russia's GNP was being advanced to other former Soviet republics.

Mr Sergei Vassiliev, the head of the government's Centre for Economic Reform, said "in practice, the leaders of the central bank are acting to discredit not only the government but the entire course of reform".

He admitted that, if there were no change in the Bank's credit policy, it would be impossible to meet the targets agreed between the government and the International

Monetary Fund for this year - that is, of a budget deficit of no more than 5 per cent of GNP and inflation at no more than 10 per cent a month.

Instead, he said that inflation was now running at a weekly basis of 4.4 per cent, or more than 20 per cent a month, and was expected to accelerate next month.

The budget deficit now stood around 7 per cent of GNP, he added.

Mr Vassiliev's sombre picture was in sharp contrast to the optimism expressed by Mr Richard Erd, the IMF assistant managing director, on a visit to Moscow last week.

Mr Vassiliev's charge is the most serious of a rising chorus of ministerial complaints about the actions of Mr Victor Gerashchenko, the former Soviet State Bank chairman, who was appointed acting chairman of the Russian bank in July.

It also foreshadows a clash between the government and Mr Boris Yeltsin, the Russian president, on one side and the bank and the Russian parliament, to which the bank is responsible, on the other. The Russian parliament begins its new session in a week's time.

Mr Vassiliev, introducing the first in a quarterly series of "Russian Economic Trends", refused to be drawn into what actions would be taken to avoid hyper-inflation - but said that the government would not "give up". Parliament will not easily give up control over the bank - while both Mr Yeltsin and government ministers have called in recent days for bringing it under government control, or making it completely independent.

His comments are a further signal of a gathering political, as well as economic, showdown between the shifting forces within Russia.

Mr Yeltsin, accused of populism in the past, has so far remained strongly in support of the reform cabinet under Mr Vgor Gaidar - whose job as prime minister is, like Mr Gerashchenko's, only an "acting" title.

Mr Vassiliev said that the president had "no choice but to support the reform - otherwise he would have to rely on conservative forces. He cannot change his political base".

According to Mr Vassiliev, who was supported by Mr Marek Dombrowski, a government adviser who had previously advised the Polish government, credits to enterprises in July had increased to Rbs500m, with a similar advance expected next month. The Russian Information Agency reported last night that the central bank's Moscow department proposed issuing further credits of between Rbs500m-Rbs1,000m to regulate the debts owed by enterprises in the Moscow region.

By Quentin Peel in Bonn and David White in London

GERMANY has persuaded Italy and Spain to support a halt to development spending on the European Fighter Aircraft, according to government officials in Bonn.

An official, who acknowledged that approval was still needed from Britain to stop the project, said: "We are aiming at a switch in the remaining development funds, which are committed but not yet

spent, from the present EFA to a new, cheaper and lighter aircraft."

He was speaking after talks between Mr Volker Rühe, the German defence minister, and Mr Julian Garcia Vargas, his Spanish counterpart, at which, he said, Spain had agreed to back the German line. The German official said that Italy had also agreed to support the German stance, after talks in Italy last week between Mr Rühe and his Italian opposite number. The position of the

British government, which is still strongly committed to the EFA, looks increasingly isolated, with Spain and Italy, under budgetary pressures, siding with Germany.

No action can be taken unless Britain, the fourth partner in the project, agrees, because all are contractually committed to the entire £15.75bn development phase of the fighter aircraft. It is estimated that some \$10bn of the total has been spent so far. According to the Munich-based

opponent cash that Germany is contractually committed to spending on the EFA.

Defence chiefs from the four countries are currently reviewing the operational requirements on which the EFA project was originally based and are due to complete their reports next month.

The four governments have agreed to investigate the possibility of using the development work done for EFA to design a cheaper fighter aircraft.

French PM urges end to jails strike

By Alice Rawsthorn in Paris

MR Pierre Bérégovoy, the French prime minister, yesterday tried to quell unrest in the country's jails by urging striking prison officers to return to work and promising that the government would take action to improve prison security.

The French prison system yesterday came close to chaos as 157 of the country's 182 penal institutions were affected by the industrial dispute which flared up on Friday following the murder of a prison officer at the Clairvaux high security jail as seven inmates tried to shoot their way out. The government has suspended 39 striking officers in an attempt to end the stoppage.

The Justice Minister also sent in more than 3,000 police to fill in for warders at 40 establishments, fearing a rash of prisoner unrest if jails were not properly secured.

A series of spectacular jail-breaks, mutinies and attacks on warders in the last two months have highlighted a crisis in France's overcrowded jails. The prison population has doubled to 54,000 in the last two years.

The killing of the warden at Clairvaux followed the murder of an officer at Rouen earlier this month during an attack by a prisoner.

The Rouen killing prompted a wave of industrial action by prison officers, which was only called off when the government promised to take action. The current strike started on Saturday and by yesterday had spread to 157 prisons, with 300 police moving into a number of jails to restore order.

Mr Bérégovoy, who is anxious to create a picture of political stability before next Sunday's crucial referendum on the Maastricht treaty, appealed to prison officers to end their strike. "The government will act responsibly," he said on French radio. "It has understood your message. Now you must go back to work."

The government has already begun an investigation into illegal traffic of arms in French jails following the Clairvaux shoot-out. The ruling Socialist party yesterday suggested that next year's national budget should make extra provision for the prison system.

Rise in Spain's inflation rate

Consumer prices in Spain rose 0.9 per cent in August, slightly less than expected, Reuters reports from Madrid. Underlying inflation, excluding unprocessed food and energy, rose 0.4 per cent, from 0.3 per cent in July, to give a year-on-year rate of 7.0 per cent from 6.7 per cent in July.

Higher VAT rates seemed to have less impact than forecast.

Germany seeks EFA spending freeze

By Quentin Peel in Bonn and David White in London

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Party setback in poll run-up

Mitterrand ally charged over Socialists' funds

By William Dawkins in Paris

MR Henri Emmanuelli, president of the French national assembly, was yesterday charged with complicity in illicit trafficking of influence.

The move was expected, but is likely to embarrass the Socialist party in the run-up to next Sunday's finely balanced referendum on European union.

He is the latest of dozens of politicians from most political parties to be accused of illegal fund-raising.

Mr Emmanuelli has refused to resign, in contrast to Mr Bernard Tapie, the former junior minister for urban affairs, who was obliged to step down last summer after a business associate launched a fraud action against him.

Adding to the government's embarrassment, a businessman, also charged in connection with Socialist party financing, said in an interview that he had paid campaign bills for President Mitterrand and other Socialist leaders.

Mr Michel Rey, released on bail last week, described in the newspaper Le Parisien how his company illegally transferred money from big companies to the party.

Bitter after spending six months in pre-trial custody, Mr Rey said he was being made a scapegoat.

It is the latest twist in a long-running judicial campaign against political corruption, which has focused on the ruling Socialist party and contributed to the decline in its popularity.

Mr Emmanuelli is charged in his capacity as party treasurer, a post he held from the presidential election in 1988 until 1992, rather than personally.

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Paolo and Gaspare Cuntrera. All were denied.

Headed by 82-year-old Pasquale, the Cuntrera family is alleged to have become an essential link for Cosa Nostra, the Sicilian umbrella organisation of the Mafia, in importing heroin via Canada into the US.

Allegedly, they moved latterly into Latin American cocaine and money-laundering for a variety of rival Sicilian clans. They lived openly in Caracas, protected by friends in high places, and their arrest was only conceded on September 8, after strong additional pressure on the Venezuelan government from the FBI and Drug Enforcement Agency.

In the final days before his assassination in June, Mr Borsellino had been on their trail, while the late Mr Falcone had always insisted on the importance of bringing them to justice.

The principal other recent arrests were on August 31 Mr Savo Mammi, the undisputed boss of the 'ndrangheta, the Calabrian Mafia; on September 8 Mr Giuseppe Madonia, believed to be number two in Cosa Nostra and on the run since 1984; on September 11 in separate raids, Mr Carmine Aliferi, head of the clan controlling the biggest empire (allegedly with an annual turnover of £1.500m, or \$1.4bn) in the Camorra, the Naples Mafia; Mr Antonio Rizzello, a leading figure in the Sacra Corona Unita, the emerging Mafia in Puglia; and Mr Francisco Cannizaro, a boss from the Catania Mafia prominent in the European cocaine trade.

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for a sprint.

NEWS: INTERNATIONAL

Arabs back UAE in island row with Iran

IRAN yesterday responded angrily to a claim by Arab League foreign ministers that its presence on the disputed island of Abu Musa threatened peace in the region. Our Middle East Staff reports.

Mr Amr Moussa, Egypt's foreign minister, said after a meeting of the 21-member Arab League that Iran's continued presence on the island in the Gulf was a "dangerous development" and urged Iran to review its position there.

But Mr Morteza Sarmadi, an Iranian foreign ministry spokesman, said the Arab stance was irresponsible.

The Abu Musa dispute flared last month when Iran, which maintains a garrison on the island and shares its oil revenues with Sharjah, one of the UAE's seven emirates, turned back a boatload of foreigners, most employed by the UAE.

Abu Musa and two nearby islands, the Greater and Lesser Tumbs, have been in Iranian hands since 1971 but are claimed by Ras al-Khaimah, another of the UAE's constituent emirates.

Tehran support for Turkey

Iran has assured Turkey it will support Ankara's fight against secessionist Kurds, a Turkish minister visiting Tehran, said yesterday. Reuter reports from Ankara. Mr Ismet Sezgin, Turkey's interior minister, said after meeting Iranian President Ali Akbar Hashemi Rafsanjani that Iran had agreed to a joint fight against the PKK (Kurdistan Workers Party) which aims to form a Marxist state encompassing parts of Iran, Turkey, Iraq and Syria.

Troops in Somalia

A vanguard of 40 armed UN troops arrived in the Somali capital, Mogadishu, yesterday — the first batch of 500 Pakistani soldiers dispatched to secure the port and airport and ensure food convoys reach starving people. Reuter reports from Mogadishu.



Chuan Leekpai: 'Politeness is unfortunately seen as a weakness'

Angel Chuan must prove strength

Victor Mallet assesses the future for the soft star of Thailand's anti-military camp

UNLIKE his immediate predecessors, Mr Chuan Leekpai, the Democrat party leader who expects to become prime minister of Thailand following Sunday's general election, is neither an army general nor a western-educated aristocrat.

His father was a teacher and his mother a vegetable seller. "I am an ordinary man who came from a rather poor family," he said recently.

And, unlike some of its rivals, the Democrat party was not formed on the eve of the election for the convenience of a few influential politicians with short-term common interests; it was founded 46 years ago and is Thailand's oldest.

The rise to prominence of Mr Chuan and the Democrats is an important but still tentative change of direction for contemporary Thai politics.

The Democrats impressed many voters by their cautious handling of the clashes between the armed forces and pro-democracy demonstrators, which culminated in the killing of at least 50 protesters in May. They opposed military interference in politics and

business, but attempted to resolve the dispute in parliament, warning of the dangers of street confrontations.

They were rewarded with the largest bloc of seats in the 360-seat House of Representatives, increasing the number of their MPs to 79 from the 44 they won in the previous election and winning several Bangkok seats from the Palang Dharma (Moral Force) party of Mr Chamlong Srimuang, the fervent Buddhist who led the street protests.

Just as Bangkok intellectuals have grown suspicious of what they regard as Mr Chamlong's political posturing, so have Thai entrepreneurs begun to distrust what they see as his idealistic egalitarianism.

Foreign and local business immediately welcomed the probability that Mr Chuan would head a coalition centred on the parties that opposed the military in May.

Yesterday, the Stock Exchange of Thailand gave a warm welcome to the results, with the SET index rising 2 per cent, to reach 817.95 points.

The 54-year-old Mr Chuan, a lawyer by training, lacks eco-

OFFICIAL RESULTS OF SEATS WON ON SEPTEMBER 13 (PREVIOUS ELECTION ON MARCH 22 IN BRACKETS)

Party	Seats	(% of votes)
Democrat	79	(44)
Chart Thai	77	(74)
Chart Pattana*	20	(—)
New Aspiration	51	(72)
Palang Dharma	47	(41)
Social Action	22	(31)
Seritham*	8	(8)
Solidarity	8	(7)
Musnichon	4	(1)
Prachakorn Thai	3	(7)
Rasasarn	1	(1)

* New party.
Voter turnout 62 per cent (59 per cent)

nomic expertise, but he has promised to reinforce existing policies aimed at liberalising trade; improving the competitiveness of Thailand's export industries; and diverting more resources to neglected regions.

He will attempt to construct a coalition this week, and may choose a private sector technocrat — the names of several senior bankers are being bandied about — as finance minister.

Even more worrying for advocates of stable government will be the fragility of any coalition the Democrats are likely to create in their negoti-

ations this week. The loose alliance of the four so-called "angel parties", which opposed the military in May — the Democrats, Palang Dharma, the New Aspiration party and Solidarity — together has only 121 seats, or a majority of five, and the NAP is regarded as a weak link in the group.

Mr Chuan is likely to bring in at least one smaller party, and possibly the Chart Pattana (National Development) party of Mr Chatichai Choonhavan, the former prime minister overthrown by the armed forces in the February 1991 coup d'état.

The reality is that the Demo-

cats made many of their gains at the expense of their alliance partners, while Chart Thai (Thai Nation), a "devil party" which supported the army, won 77 seats.

The level of violence and

vote-buying in the election campaign, in keeping with That tradition, also suggests that it will be some time before politicians such as Mr Chuan can safely claim to have con-

sidered corruption and military coups to the history books.

Patten to seek Major's endorsement for policy proposals

China to get briefing on HK poll

By Simon Holberton and Edward Mortimer in Hong Kong

BRITAIN is to brief China on plans for conducting Hong Kong's 1995 elections before Mr Chris Patten unveils them next month in his first key policy speech as governor.

Mr Patten is due in London today to seek the personal endorsement of Mr John Major, the British prime minister, for his programme for the last five years of British rule in Hong Kong, which reverts to Chinese sovereignty in 1997.

He will also give a preview to Mr Douglas Rurd, the foreign secretary, who will brief Qian Qichen, his Chinese counterpart, when they meet in New York at the United Nations General Assembly next week.

Mr Patten will make his programme for Hong Kong's constitutional and social development when he opens the Legislative Council session on October 7. He will visit Beijing soon afterwards.

China will scrutinise with particular anxiety the proposals for the 1995 elections, which will be decisive for Hong Kong's political stability in the run-up to and beyond 1997.

Mr Patten is likely to tell the Chinese that they must accept a substantial degree of democracy in Hong Kong if they want a successful takeover of the colony.

He is expected to stand firm against pressure to form a cabinet composed of representatives from the legislature.

He is expected to encourage the development of a more independent and effective legislature by which the government would need to win its consent for its legislation but would not depend on a parliamentary majority.

This could mean an increase in the number of democratically elected members above the 20 already agreed, or — if China prefers — a broader base for the so-called "functional constituencies", representing

mostly professional and business interest groups, which choose 30 members. The governor has the power to make these constituencies more representative of the population at large.

He also has discretion to decide the electoral system for the direct elections. The liberals favour first-past-the-post, while China and its conservative supporters in Hong Kong prefer a proportional system.

Mr Patten is expected to announce government spending proposals for housing, education, the environment and other social policies as well as far-reaching constitutional reforms which he hopes will lay the foundation for a smooth transition to Chinese sovereignty in mid-1997.

Today, Mr Patten will also brief the UK government on its proposals for solving the impasse with China about funding Hong Kong's new airport. This will be presented to China's representatives at a meeting in Hong Kong tomorrow.

Indian liberalisation defended

By Stefan Wagstyl in New Delhi

MR Manmohan Singh, (right) the Indian finance minister and chief architect of a far-reaching economic liberalisation plan, yesterday rejected suggestions that his programme is running out of steam.

"There is no basis in such complaints. We have done all that we promised," said Mr Singh in an interview with the Financial Times. He was speaking on the eve of his departure on a visit to the UK and the US, during which he will take part in the annual meeting of the World Bank and the International Monetary Fund.

Mr Singh, a Harvard-trained econ-

omist and former bureaucrat, won widespread praise for guiding India out of a balance-of-payments crisis and into a World Bank-approved programme of radical reforms last year, including the easing of decades-old government economic controls and the partial floating of the rupee.

But delays in implementing important measures, such as cutting the government's deficit, has exposed Mr Singh to growing criticism. The government has also run into trouble over the alleged involvement of some junior ministers in the Bombay stock market scandal.

Only last week the Reserve Bank of India, the central bank, warned Mr Singh and his ministers of the risk of the reforms getting bogged down. "There is still a hiatus between policy formulation and implementation at the ground level," the bank said in a report.

Mr Singh said implementation took time because decision-making involved consulting many different interests. For example, he said the government was talking to trade

unions about restructuring large loss-making state-owned enterprises. He conceded the Bombay stock market scandal had affected the pace of financial reform but only "marginally".

Mr Singh said the economy was progressing along lines agreed with the World Bank and IMF, with growth likely to be in the 3-4 per cent range in real terms in the financial year which started in March 1992, compared with 2.25 per cent last year. He was disappointed that a sharp devaluation in the rupee since last year had not as yet produced a significant increase in exports.

Nevertheless, Mr Singh said, shortfalls in export growth had been matched by improvements in other elements in the current account, such as a sharp decline in gold smuggling.

He welcomed the increase in planned foreign investment which his reforms have stimulated. The total of \$1.4bn in the year to March, far exceeded the previous annual level of \$1.06bn-\$2.00bn.



Racing Driver Bernard Santal of Ste. Maxime, France, fails to win over his baby daughter Sarah.

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NEWS: THE AMERICAS

White House accused of loan cover-up

By Alan Friedman in Atlanta

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THE Bush administration sought to "suppress the truth" about US government knowledge of more than \$8bn (£2.5bn) in illegal loans made to Iraq by the Atlanta branch of Italy's Banca Nazionale del Lavoro (BNL), an Atlanta court was told yesterday.

Mr Bobby Lee Cooke, a Georgia lawyer who is representing Mr Christopher Drogoul, the former BNL Atlanta branch manager, also began naming senior BNL executives in Rome who, he alleged, helped orchestrate the loans. BNL has in the past denied that anyone in its Rome headquarters knew about the Iraqi loans.

Mr Cooke, seeking to transform what was to have been a sentencing hearing for Mr Drogoul into an impromptu trial, said he would provide evidence in court to explain how the US government "from the very onset has tried to suppress the truth and mislead this court".

He called the BNL case "the mother of all cover-ups" and said the position of the Department of Justice "denies all logic and Socratic reasoning and, most importantly, is not the truth".

In a 35-page sentencing memorandum the Justice Department had accused Mr Drogoul of being the sole orchestrator of the Iraqi loans more than \$2bn of which went to help President Saddam Hussein's nuclear, chemical weapons, cluster bomb and ballistic missile projects.

Mr Drogoul admitted his guilt in June and reached a co-operation agreement with US prosecutors. However, Mr Cooke said he cancelled the agreement because the government was trying to put words into his client's mouth.

Judge Marvin Shoob, presiding over the BNL case, appears sympathetic to Mr Cooke's argument. The judge told prosecutors yesterday their theory that Mr Drogoul orchestrated the entire loan scheme was "difficult to believe".

In court yesterday Mr Cooke said he would introduce evidence to show that:

- US intelligence officials working for the National Security Agency (NSA) made regular visits to Mr Drogoul in Atlanta and were briefed on the BNL-Iraqi loans.
- Mr Giacomo Pedde, the former director general of BNL, was among those aware of the Atlanta loan.

• A senior US government official and the Iraqi ambassador met Mr Drogoul in Washington in the autumn of 1988 and encouraged him to provide Iraq with US government loan guarantees.

• Senior White House and State Department officials interfered in the BNL case by telephoning prosecutors in Atlanta.

Aides to Judge Shoob said they expect the unusual Atlanta court hearing to continue all week as both the government and Mr Cooke provide evidence and question witnesses.

Hawaiian island recovers

TROOPS patrolled and helped clean up neighbourhoods and officials tended to more than 7,000 people in shelters as the hurricane-hit Hawaiian island of Kauai took its first halting steps toward normality yesterday, AP reports from Lihue.

Federal officials said 10,000 homes were badly damaged

when Hawaii's worst storm this century tore across the resort island. Most of the island's 70 hotels sustained serious damage.

A limited phone service was restored, giving the island's 52,000 residents their first link to the outside world since the storm hit on Friday.



President George Bush (right) and former President Ronald Reagan at a rally in Orange County, California. About 100 demonstrators booted Mr Bush during his speech

NY Senate race sets new standards in seediness

By Alan Friedman
In New York

EVERYONE knows that New York politics can be among the roughest and meanest in the US. But even by New York standards the four-way Democratic Senate primary race - culminating in today's vote - will go down as one of the most vitriolic campaigns in many years.

The winner of this melee will challenge Mr Alfonse "Al" D'Amato, a right-wing politician from suburban Long Island, who has thus far tramped about the US citing the fact that he has been rebuked rather than censured by the Senate ethics committee as proof that he has been exonerated of past influence-peddling charges.

Mr D'Amato is considered vulnerable this year, not least because of his chequered record. But the Democrats have engaged in so much mud-slinging that there is unlikely to be much high ground left to be gained by his opponent.

Although her substantial early lead has nearly evaporated, the front-runner among the Democrats is 56-year-old Ms Geraldine Ferraro, the former congresswoman from the Queens who has not attacked

Ms Ferraro over ethics is the normally demagogic Rev Al Sharpton. He arrived at a televised debate last week with a symbolic bucket of mud for his colleagues. The debate among the Senate Democratic primary candidates became so heated that the moderator kept intervening to say: "Ladies, ladies, ladies, Ms Holtzman, Ms Ferraro..."

Issues have thus taken a back seat to insults, which means that even if Ms Ferraro does win today, she is unlikely to be the unblushing sort of challenger who can make much of the various investigations of Mr D'Amato.

The seediness of this year's New York Senate race looks set to continue.

Jurek Martin adds from Washington: Another race of interest concerns Congressman Stephen Solarz, the Democratic foreign policy expert.

His old safe House of Representatives seat in Brooklyn has been redrawn - with the purpose of promoting Hispanic representation in Congress - and he may be vulnerable to the challenge of Ms Elizabeth Holtzman, a former congresswoman and New York's current comptroller.

Oddly enough the only can-

Presidential fight shifts to US timber heartland

By Jurek Martin
in Washington

PRESIDENT George Bush and Governor Bill Clinton both appeared in Oregon yesterday in an attempt to wrest some tactical advantage from a corner of the country riven by the debate over economic development versus the environment.

Mr Bush was expected to use his visit to portray the Clinton-Gore presidential ticket as being in the pocket of ecological extremists. As a prelude last week he issued a federal edict making possible the logging of more dead timber.

While the president tours the small towns at the heart of the timber industry, Mr Clinton's appearances are concentrated more on urban areas, where his message on the need to combat general economic deprivation is likely to be better received.

He has also promised to mediate in the long-running dispute between the industry and environmentalists, at its most bitter in the controversy over preservation of the North-Spotwood Owl.

But the candidates' twin focus on the west coast in the first part of this week illustrates a broader tactical purpose. For Mr Clinton it is to consolidate his strong position in the region, while for Mr Bush it is to tie his opponent down in a part of the country which is probably going to vote for the Democrats in any case.

State polls show Mr Clinton ahead by wide margins in California, Oregon and Washington. Indeed, his lead in national polls - by 53-38 per cent in the latest Newsweek survey - in good part reflects his edge in California and New York, the biggest states.

However, some analysts sug-

Spending row risks new government shutdowns

By George Graham
In Washington

US government agencies are once again threatened with shutdown as President George Bush and Congress prepare for a confrontation over Washington's most sensitive issue - spending.

Mr Bush promised his cheering supporters at last month's Republican convention that he would veto any spending bill passed by Congress that went above his budget requests.

At least five, and possibly as many as seven, of the 13 appropriations bills which allot money to government agencies appear to be heading for a presidential veto, but Democratic leaders in Congress say they are in no mood to compromise.

The government cannot continue to spend money after the new fiscal year begins on October 1 unless new appropriations legislation is passed. Several times in the 1980s, federal

agencies had to send staff home for a few hours in symbolic confrontations between the White House and Congress. But usually a shutdown has been avoided by an omnibus bill to continue funding of agencies at current levels.

The Democrats' congressional leadership says it has no interest in resorting to this kind of stop-gap bill.

The president's veto strategy is designed to highlight his battle with Congress, and paint the Democratic-controlled legislature as relentless spendthrifts.

The strategy is risky, however. Although several individual appropriations bills would spend more than Mr Bush asked for in his January budget request, others underbid him significantly.

Bills covering the labour, health and human services, treasury, transportation and interior departments appear to exceed the president's budget

requests, and the inclusion of funding for abortion counseling makes some other bills look like veto-bait.

But bills covering defence, foreign aid and space come in well under budget and Congress has even cut its own operating budget below the president's request. Overall, the 13 appropriations bills would spend more than \$108b (£5.3bn), less than Mr Bush asked for.

And on all the biggest battles to cut government outlays - the space station, the super-colider, the Strategic Defence Initiative - the administration has been on the side of increased spending.

The only appropriations bill to pass Congress before the Republican convention, covering agriculture, exceeded the budget request, but Mr Bush signed it with no visible qualms.

The Office of Management and Budget declined to com-

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NEWS: WORLD TRADE

US-UK battle puts airline at risk

By Paul Betts,
Aerospace Correspondent

THE future of a small Caribbean airline is being threatened by the dispute between the US and the UK over liberalising air services between the two countries and the proposed British Airways acquisition of a 44 per cent stake in USAir.

Cayman Airways, the national carrier of the UK Caribbean dependency, has warned it risks going out of business unless it secures relief from what it regards as excessive competition from US airlines on the

Miami-Grand Cayman route. It wants the UK to resume negotiations with the US to limit US flights from Miami to Grand Cayman from four to three services a day.

Negotiations between the two countries broke down this year after the UK rejected US demands for greater access to the UK market in return for dropping one daily service to Grand Cayman.

The UK dependency is now urging the UK government to offer new concessions to US airlines to clear the way for an agreement on limiting US flights to the Cayman Islands and safeguarding the

future of Cayman Airways.

US carriers have recently intensified pressure on their government to negotiate new rights for more US airline services to London and regional UK airports.

They have asked their government to block BA's proposed alliance with USAir unless they can secure these additional rights. In turn, the UK has defended the BA-USAir deal and refused to grant US airlines greater access into the UK unless UK carriers gain more access to the US.

Cayman Airways has complained that the UK appears to feel a giant carrier like BA

needs more protection from US competition than the tiny Cayman Airways, which operates a fleet of four Boeing 737 jets.

After showing a small operating profit in 1989, Cayman Airways has seen its losses grow as US airlines have stepped up competition on the Miami-Grand Cayman route.

The airline lost \$2.6m (£1.31m) in 1990, \$8.6m last year and \$9.2m for the 12 months ended last June. Price Waterhouse has declared the airline insolvent.

It has continued to be propped up by large cash infusions from the Cayman Islands government with a subsidy, in

the latest year, equivalent to 10 per cent of the Cayman Islands government's entire budget.

The government says it can no longer sustain such support.

• Ansett, the domestic Australian airline owned jointly by Rupert Murdoch's News Corporation and Australia-based transportation company TNT, has forged marketing links with British Airways, Cathay Pacific and All Nippon Airways, AF-DJ reports from Sydney.

The arrangements replace a marketing agreement between Ansett and Qantas Australia's government-owned international carrier.

Textron to replace engines on Russian regional jets

By Paul Betts,
Aerospace Correspondent

TEXTRON Lycoming, the aero-engine division of the US Textron group, has reached a long term collaboration agreement with the Yakovlev Design Bureau to re-engine Russian YAK-40 regional jetliners.

The US company also plans to provide engines for a proposed Russian widebody business jet, the YAK-48.

The agreement reflects increasing Russian efforts to

upgrade their existing aerospace products and future programmes to western standards.

Rolls-Royce of the UK and Pratt & Whitney of the US are already involved in Russian aircraft re-engining programmes as Russian manufacturers step up their drive to market their products in western markets.

Textron Lycoming will be working with Yakovlev on plans to replace the three Russian engines powering the YAK-40 regional jet with two

Lycoming LF507 turbofans.

The YAK-40 is a 27-32 passenger regional jetliner specifically designed to fly in and out of smaller airports throughout the Commonwealth of Independent States and eastern Europe where runway conditions can be rough.

Depending on the needs of airlines in the Russian federation, all or a part of the current YAK-40 fleet of about 1,000 aircraft could be candidates for the re-engining programme.

Investment plea by Manila

By Kieran Cooke
in Kuala Lumpur

THREE Philippines' foreign secretary, Mr Roberto Romulo, has made a plea for more investment in his country by the countries of the Association of South-East Asian Nations (Asean). Speaking on a visit to Malaysia, he described the present level of intra-Asean trade as lamentable.

At present only 2 per cent of total Philippines trade is with Malaysia, while under one per cent of Malaysia's total trade is with the Philippines.

Mr Romulo said that Asean - which groups the Philippines, Malaysia, Indonesia, Brunei, Thailand and Singapore - would never be credible to others if it did not make serious moves towards better trade relations.

Trade relations in the region has been much discussed since the announcement of the formation of the North American Free Trade Agreement (Nafta). Several countries in the region say that Nafta could become a trade bloc and seriously affect export performance.

Malaysia is advocating the formation of an East Asian Economic Caucus (Eaec) to combat what it sees as the division of the world into competitive trading groups.

US and EC try to halt oilseed war

By Nancy Dunne
in Washington

THE United Nations Conference on Trade and Development (Unctad) could be excused for feeling a bit upset by yesterday's cut in German interest rates. Its annual report, prepared in July but only published today, advocates just that.

Unctad wants 1990s monetarism abandoned and a return to Keynesian policies on an international scale in an effort to pull the world out of recession. Higher government investment spending and a big cut in German interest rates top its list of recommendations.

Without such measures, Unctad says, the "debt deflation" afflicting the world's leading economies, notably those of the US, Japan and Britain, could ensure another "lost decade" in the 1990s.

Unctad, a forum for north-south dialogue, emphasises that third world development depends on the economic health of the industrialised world.

Timing the publication of its report ahead of the annual meeting of the International Monetary Fund and World Bank later this month, Unctad challenges the IMF orthodoxy that cutting budget deficits is the key to world economic well-being. Unctad believes that, without a radical change of course, recovery from the most severe global recession since the second world war

will be feeble at best.

Its economists argue that standard economic models have failed to capture the impact of debt on spending behaviour, causing policy advisers repeatedly to be over-optimistic about the timing and strength of the upturn.

Where asset prices are tumbling and interest rates are at high levels, households and businesses are scrambling to cut indebtedness. Banks, constrained by tougher capital requirements and bruised by bad loans, are equally reluctant to lend. In these circumstances, Unctad argues, the private sector cannot lead the way out of recession.

Governments must "resume their responsibilities by acting to foster a return to financial stability and to stimulate the level of economic activity".

Unctad's prescriptions sound less iconoclastic today than only two months ago when the report went to press. The report calls for higher government spending to boost incomes, focused on investment and designed to be withdrawn once expansion is underway to minimise the impact on inflation and interest rates.

Last month, Japan announced a massive \$87bn package to boost the Japanese economy, the bulk of which comprises public spending on investment projects. Even in the US, where the budget deficit

is running at more than \$300bn a year, pressure is growing for a short-term fiscal stimulus to jump-start the economy.

The report urges reductions in German short-term interest rates to Japanese and US levels, to permit a general cut in rates throughout Europe and ease tensions within the European Monetary System.

It also calls on the US Federal Reserve Board to revert to pre-1978 policies of targeting interest rates instead of the money supply. Moves by the Fed to cut short-term rates - with no fewer than two dozen cuts since mid-1990 - have left long-term rates high because investors fear rates will rise again once the recovery begins, it says.

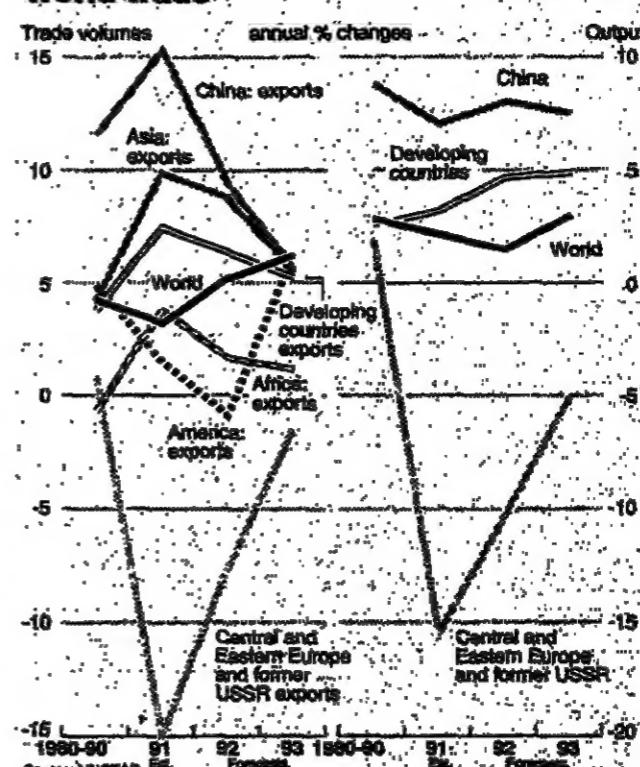
The world economy is in a "danger zone," in which recovery is threatened by financial fragility "brought about by a combination of financial liberalisation, tight monetary policies and bank deregulation" in the 1980s.

Financial deregulation encouraged households and businesses to go deeper (and more riskily) into debt in the expectation that asset prices and incomes would continue to rise.

Debtors now face not only falling real incomes but falling asset values further, lowers incomes and prolongs the recession.

Attempts by the private sec-

World trade



tor to reduce debt, for instance, by trying to sell their houses or other assets, simply reduces asset values further, lowers incomes and prolongs the recession.

Mr Kenneth Dadzie, Unctad's

secretary-general, says: "If the 1980s were dominated by the debt crisis in the developing world, the 1990s have started under the shadow of one in the developed."

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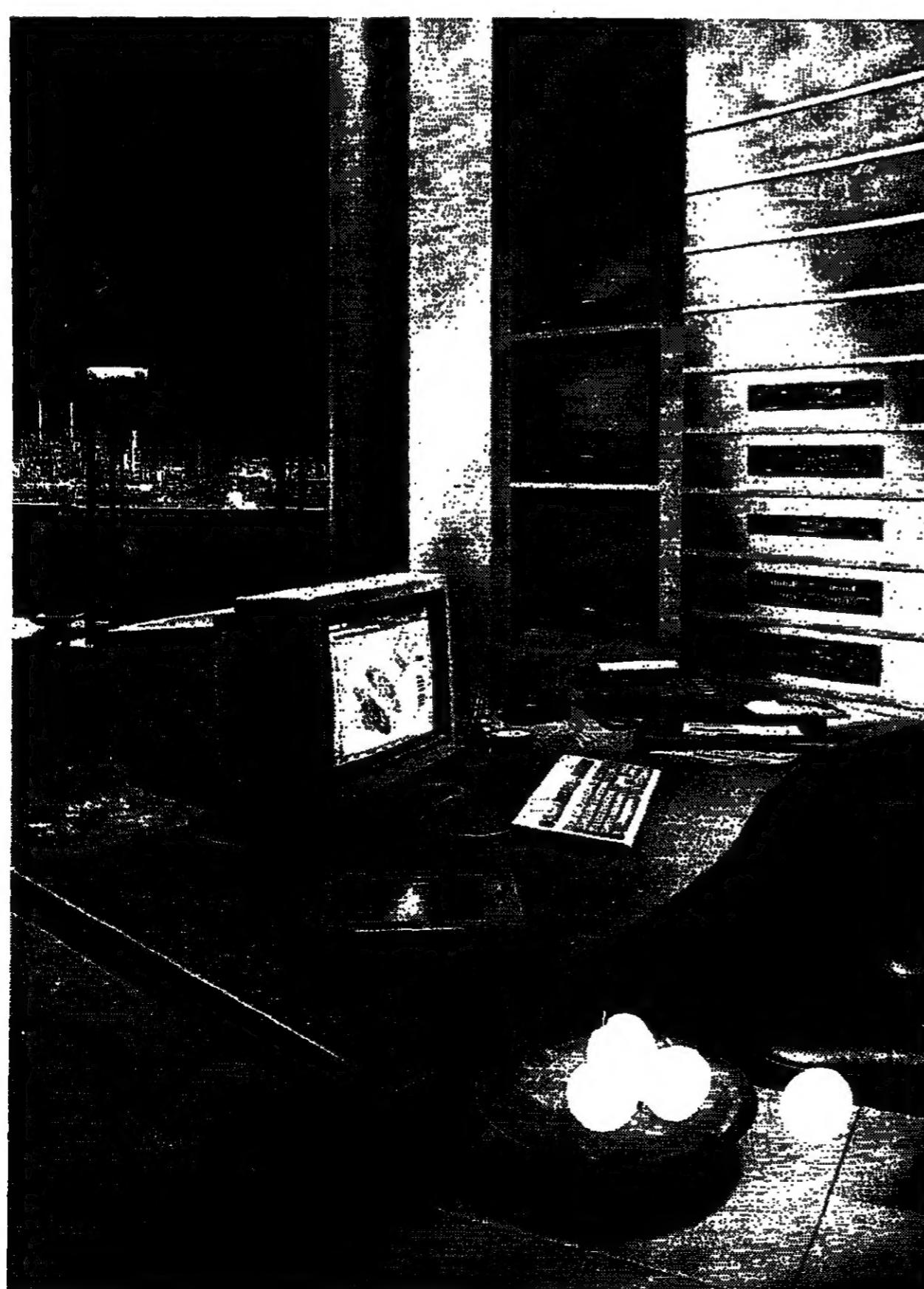
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NEWS: UK

Final power privatisation postponed

By Our Belfast Correspondent

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THE government has postponed completion of the privatisation of Northern Ireland Electricity (NIE), Britain's last state power company.

Mr Robert Atkins, Ulster's economy minister, said a number of matters needed to be resolved before the sell-off.

"The most important of these relates to the funding of the proposed inter-connector to Scotland and an application which the government has made to the European Commission for assistance towards its costs," he said.

NIE and ScottishPower reached agreement on the £200m inter-connector project earlier this year and it is thought the government is seeking around £70m from the Commission towards the cost of construction.

The first part of the sell-off took place in April when Ulster's four power stations went into private hands.

British Gas bought the biggest station, Ballylumford near Larne; NIGEN, a US-Belgian consortium acquired Kilroot near Carrickfergus and Belfast West; and a management-employee buy-out team bought the Coalkeeragh plant at Londonderry.

Labour avoids early debate on Maastricht

By Ivo Dawayne,
Political Correspondent

THE OPPOSITION Labour Party's deep-rooted internal divisions over Maastricht were patched over yesterday when critics of the treaty shied away from a direct confrontation with the new party leader, Mr John Smith.

Instead the party's national executive committee agreed to postpone a debate on European policy until after next Sunday's French referendum, following which the leadership will draw up a formal position to present to the shadow cabinet and NEC the following Wednesday.

The decision by senior shadow cabinet ministers not to press for immediate policy changes is likely to defuse the row in the short-term. However, profound differences between Labour's keen Europeans and those determined to see substantial changes in the Maastricht treaty are unlikely to dissolve.

Mr Bryan Gould, the senior frontbencher who challenged

Mr Smith for the leadership, made clear before yesterday's meeting that he viewed the weekend realignment in the exchange rate mechanism as likely to exacerbate rather than relieve economic tensions in the longer term.

In a series of interviews with broadcasters after the meeting, Mr Smith made clear that he expected the three members of the shadow cabinet who have criticised his strategy over Maastricht and according to the line once a formal position is agreed.

Dismissing the likelihood of a confrontation with Mr Gould, he nonetheless signalled that he will act firmly to enforce a common stance.

Officials also made clear that the leader would not code to pressure for a referendum on the treaty and continued to oppose any suggestion of a sterling devaluation.

The truce came after a personal appeal from Mr Smith at yesterday's national executive meeting, called to approve a new document setting out Labour's post-election goals.

Danes raise concerns ahead of UK summit

By Alison Smith

THE DANES' determination to keep control of social security policy and their fear that the Maastricht treaty would undermine Nato were among the concerns which would have to be addressed at the Edinburgh EC summit, Mr Uffe Ellermann-Jensen, the Danish foreign minister signalled yesterday.

Addressing the Liberal Democrat conference in Harrogate, northern England, Mr Ellermann-Jensen made it clear that he hoped for a Yes vote in the French referendum on Sunday, but that the Maastricht agreement would have to be modified in some way - "Maastricht-plus" - before the Danish government would consider putting it to a second referendum for ratification.

A policy document from the Danish government is expected within the next few weeks, and the Danes hope that the summit in early December will provide the basis for an agreement perhaps through new declarations or protocols, so that they could hold a further referendum in the spring.

"There is a common interest in finding solutions. We're interested in finding a solution that does as little harm as possible to European integration," he said at a press conference after his speech.

Mr Ellermann-Jensen refused to be drawn on whether it



Modifying Maastricht: Uffe Ellermann-Jensen is seeking changes to the treaty on European monetary and political union

would be helpful for the British to press ahead with ratification before a second Danish referendum.

He made it clear, however, that there was no prospect of the Danish government trying to rush a referendum through to suit the convenience of other member states or to meet the original timetable of ratification of the treaty by the end

of this year. Opposition to the Maastricht treaty had come from across the political spectrum, he added.

Some on the left had not wanted to give up control of the Danes' generous social security arrangements, while others had been concerned that the role envisaged for the Western European Union

would cut across transatlantic co-operation, or not liked the idea of European citizenship.

He said that the Danish result had shown how EC governments had been running ahead of public opinion, and that it had given them a chance to put that right before it was too late.

The Community must become more accountable and

less bureaucratic through developing subsidiarity as a counter to centralising tendencies, he added.

"Unless the Community is able to convince the European populations that we mean what we say when we talk about subsidiarity, the European integration will be brought to an abrupt halt," he warned.

Britain in brief



Accountants 'tried to sell' BCCI papers

An accountant seconded to the Serious Fraud Office's investigation into the Bank of Credit and Commerce International offered to sell highly confidential information from the inquiry, an Old Bailey jury was told.

Mr Mark Braley, 28, of Hayes, Middlesex, pleaded not guilty together with Mr Bernard Lynch, 28, an accountant of Forest Hill, south London, to conspiracy to pervert the course of justice.

Both men are accused of plotting between September and October last year to "remove, substitute, destroy, deface or copy documents or provide information relating to the investigation into BCCI and Christopher Williams".

an attempt to counteract a slump in revenues caused by the recession. The state railway's flagship is switching its emphasis to increasing revenues. The marketing campaign is believed to include a re-launch of the scheme offering free travel to shoppers collecting vouchers from Boots stores, and a revamp of the Silver Standard service for holders of full-fare standard class tickets.

Clark seeks carrier order

Mr David Clark, Labour party defence spokesman, urged the government to bring forward its order for a £150m helicopter carrier to prevent more shipbuilding job losses.

The Ministry of Defence has said a decision on who will build the aviation support ship, for which tenders are due on October 1, will not be made until next autumn. But Mr Clark, visiting Swan Hunter on the Tyne as part of a fact-finding tour around all the UK's shipyards, said the government should bring forward the design work so teams with valuable skills are not broken up.

US company hired by BA

British Airways has contracted out its baggage security operations to Argenbright, an Atlanta-based company. Argenbright will take responsibility for the security of BA baggage worldwide under a contract that will run until 1995, when it will be reviewed.

Small scale sponsorship

Corporate sponsorship of soccer is being scaled-down. John Waddington, the Leeds-based

Domination in auditing

The audit of quoted companies is being increasingly concentrated in the hands of a smaller number of accountancy firms, according to a new academic study.

The top eight firms audited 79 per cent of the market last year, compared with 64 per cent in 1987, an analysis by Ms Vivien Beattie and Ms Stella Fearnley from the accounting and management science department of the University of Southampton shows.

Iberia in check-in deal

Iberia, the Spanish airline, has

asked British Midland to check

in its customers at Heathrow

Airport and deal with their

baggage.

The transfer is expected to mean redundancies for 52 permanent Iberia employees and 24 casual staff. Iberia also intends to centralise its UK reservations operation, handling all bookings from its Regent Street office.

games maker, announced its table-top Subbuteo soccer players will display on their shirts the logos of some of the major companies who sponsor real-life soccer teams, for no charge. Around 260,000 Subbuteo sets are sold across 50 countries each year, with about 15m little men involved.

Tayto expands

Tayto, Ulster's largest potato crisp maker, has announced the creation of 120 new jobs at its Co Armagh headquarters.

The expansion is related to a £3.7m investment in machinery to help expand production in Britain and Europe.

InterCity plans revamp

British Rail's InterCity sector is to launch a vigorous mar-

keting campaign tomorrow in

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NEWS: UK

Households singled out for change in lifestyle

By Gary Head,
Marketing Correspondent

SINGLE people living alone will make up more than 30 per cent of all UK households by the end of the decade, with the biggest growth in single-male households.

By the year 2000, 40 per cent of all households will be single-parent or single-parent, according to a study published yesterday by Mintel, the research agency.

The UK currently has 6m single-person households, 26 per cent of the total, compared with 12 per cent in 1981.

Increased life expectancy, higher divorce rates and people marrying later has put the notion of family life under pressure, Mintel says.

Average life expectancy from birth is now 73 years for men and 78.5 years for women. The number of divorces has increased from 158,000 in 1981 to 170,000 last year, peaking at about 175,000 a year in the mid-1980s. Every seventh marriage ends in divorce, Mintel says.

The mean age for first marriages has risen from 25.7 in 1983 to 27.2 last year for men, and from 23.5 to 25 for women during the same period.

These demographic shifts, Mintel says, will change the household profile so that by the end of the decade a quarter of purchasing decisions will be made by a person living alone.

The research also indicates that a wide variety of people make up single-person households. Their incomes varied from £168.83 a week in 1980 for an employed single person, to just over £60 a week for a retired person dependent on a state pension.

Single householders spend proportionately more on "comfort" foods - such as cakes - but also have a higher consumption of fresh fruit and vegetables than couples.

Mintel predicts 50 per cent of single person households will be under retirement age by the end of the decade - until the mid 1990s two-thirds of such householders were retired - and 44 per cent of those householders will be male.

Treasury to market test forecast model

By David Goodhart
and Peter Marsh

THE government's drive to contract out civil service operations to the private sector is closing in on the Treasury functions including recruitment and training and economic model building.

The Treasury has said it intends to start market testing - the testing ground for contracting-out - on the TSG (the Treasury Security Guard), the internal audit, the library and several other areas.

But the greatest controversy surrounds economic model building which has an important input into economic forecasting. The Treasury said yesterday that outside companies would not have access to sensitive information and that the modelling function was "a technical matter".

But critics believe that model building does have implications for forecasting which are unavoidably political and market sensitive. Ms Elizabeth Symons, general secretary of the FIDA, the top civil servants' union, said: "It is extraordinary that the govern-

ment has chosen to market test areas which are crucial to what should be politically neutral advice given by civil servants to government ministers".

The Treasury's computerized economic model contains hundreds of variables which simulate how the economy works. It is a central tool in Treasury forecasts, published twice a year.

The job of updating the model is currently left to the Treasury's 80-strong team of economists. But partly because of mistakes in forecasting, for example failing to predict how protracted the current recession would be, the Treasury has been looking at ways of contracting out more development work on the model.

It has already given contracts to update specific parts of its model to three outside academic teams. Similar groups would probably win the contract if the modelling function was contracted out. Mr Alan Budd, Treasury chief economic adviser, who came from Barclays Bank, is also keen to develop links with private sector economists.

IN THE WAKE OF MAXWELL: Arthur Andersen, administrators of the collapsed empire of the late tycoon, have handed the lease of the five-floor 50,000 sq ft former printing works in Southwark, south London, formerly occupied by Oyez, printers of legal stationery, back to land-

lords Eich Investment, writes Bronwen Maddox. Local children have raided the building, leaving the floor carpeted with returned - and uncashed - cheques. Among the 20 skip-loads of paper is a memo from Mr Robert Maxwell, which instructs: "In order to minimise telephone

costs and promote telephone discipline, I require that all telephone extensions in your operating companies be barred access to international calls, all non-local calls, directory enquiries, the speaking clock and weather, unless the need is formally approved and signed off by myself".

Domestic air travel hit by recession

By Paul Betts,
Aerospace Correspondent

THE recession is continuing to depress domestic air travel although international traffic is showing further signs of recovery.

The traffic figures released yesterday by BAA, the airports operator, showed a disappointing increase last month of just under 2 per cent in domestic traffic at its UK airports compared with August 1991.

"Although we are now starting to see the end of the Gulf war effect on our business, we are now seeing the full effect of the recession on our domestic business," a BAA official said.

A recovery, however, in international traffic turned last month into the busiest on record for BAAs whose airports handled a total of 8.2m passengers. This was a 9 per cent increase on August last year.

Compared with the same month last year, Heathrow traffic increased by 8 per cent while traffic at Gatwick rose by 6 per cent and at the new Stansted airport complex by 26 per cent.

European scheduled traffic rose by 11 per cent and European charter traffic by 9 per cent at BAA airports last month. North Atlantic traffic also rose by 10 per cent.

BBC seeks abolition of ban on Northern Ireland speeches

By Raymond Scobie

SIR Michael Checkland, director-general of the BBC, yesterday called for the abolition of the ban preventing the broadcasting of the speeches of those deemed to represent extremist organisations in Northern Ireland.

The appeal from Sir Michael comes following the controversy created by a BBC decision to sub-title many of the comments made by former Ulster MP Mrs Bernadette McAliskey in a recorded programme on Ulster's troubles.

complained to the BBC that the organisation had been wrong to apply the rules to Mrs McAliskey.

Mr Bottomley said the former MP was not a member of any violent organisation and in the programme had clearly distinguished between understanding and supporting violence in Northern Ireland.

Sir Michael yesterday offered no unambiguous apology. He said: "This programme has demonstrated yet again the difficulties of applying the notice in practice where often very fine judgments must be made.

Singapore orders £100m turbines

By Chris Tait

NRI PARSONS, part of the Rolls-Royce Industrial Power Group, has won a £100m order, against stiff international competition, to supply three 250MW steam turbine generators for the Pulau Seraya power station in Singapore.

The order, placed by the Public Utilities Board of Singapore, will mean recruitment next year of more than 100 shop-floor employees at Parsons' Newcastle upon Tyne plant, which has cut its workforce by half to 2,500 since the mid-1980s. A small number of design engineers will be recruited immediately.

The new contract, coupled

with a £70m Indian order won in May for two turbine generators, means security of employment for Parsons' existing workforce for several years. There could however be some short-time working in the coming months until the new contracts move from the design phase to the factory floor.

The first of the three turbine generators for Singapore will be installed and fully operative by October 1995, with the other two units following at six-monthly intervals. Parsons beat six European and Japanese companies to win the order, which also includes condensing and feed heating plant and associated equipment. "We have beaten the Japanese in

the Far East," the company said.

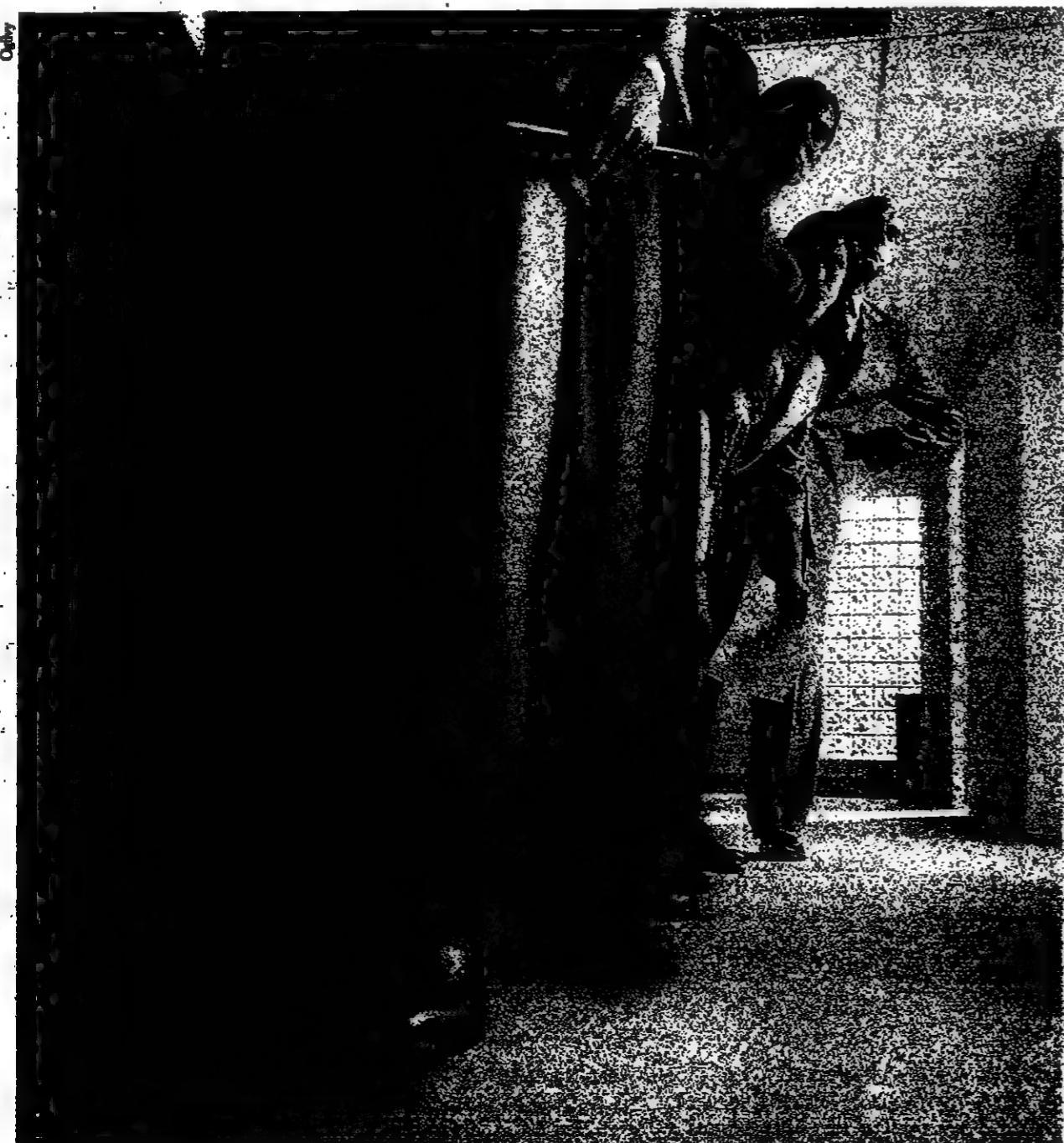
Parsons managing director Mr Trevor Murch said the order would provide "very valuable work" for the company. He said it could also strengthen the company's prospects in fighting for more orders, by proving it was world competitive.

The clinching of two large orders in succession has enhanced prospects for Parsons. Welcoming the new contract, convener Mr Barney McGill said the company had undergone great changes in attitudes in recent years; shop floor employees now worked more flexibly and in exchange enjoyed the same

conditions as white collar staff.

"In the last few years there has certainly been a very good pulling together," he said. "It's been rewarded all round."

• Orders to engineering companies in the West Midlands, traditionally the heart of UK manufacturing, have slowed again after a brief surge in the spring, dissipating the belief that economic recovery has started. The Engineering Employers Federation, West Midlands, after a survey of 520 companies in the region, reported that, in the three months to August, 39 per cent of companies had seen orders decline, compared with 25 per cent in the three months to May.

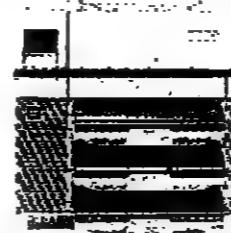


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TECHNOLOGY

Tug of war in the rope industry

Andrew Baxter on stronger, lighter and more wear-resistant fibres

Rope-making must be one of the few industries where modern-day manufacturers can put a sample of their latest product development on a table and compare it with what their forbears were making 4,000 years ago.

At Bridon Marine in Charlton, south-east London, a piece of Egyptian rope from the days of the Pharaohs is exhibited proudly in John Yeardale's office.

But the technical director of sister company Bridon Fibres gives pride of place to a new product with which he and Ian Rose, director and general manager of Bridon Marine, are hoping to give the marine rope industry a firm shake.

Bridon Marine, part of Doncaster-based Bridon, the world's leading rope-making group, has just launched TQ12, a completely new polyolefin rope which is intended to answer the hard-pressed shipping industry's ever growing demands for stronger, lighter and more wear-resistant rope.

It is perhaps because rope-making has been around for so long that its modern-day technical achievements rarely merit much attention. But the demands made on modern synthetic-fibre-based ropes would stretch the talents even of an early 20th century rope-maker, let alone an Egyptian craftsman using natural fibres.

Yet the industry retains strong links with its past. Bridon's factory illustrates the transformation in manufacturing over the past 30 years, with giant mechanical bobbins encircling each other in an industrial version of the maypole dance. When a fibre rope is completed it still requires craft skills to splice the loop at each end, a process which has long been mechanised in steel rope.

The rope itself has changed too, because of the possibilities offered by synthetic fibres. The 1960s brought rope plaited from eight

separate strands - twisted lengths of fibre - then some 10 years later came double-braid rope - basically a rope within a rope. More recently, Bridon has been making special oceanographic cables using Kevlar, the DuPont composite material, as a low-stretch strength member to protect the electrical circuits.

Its latest product, the first to emerge from a reorganised technical centre at Charlton, has a unique 12-strand construction. The aim, says Yeardale, is a much rounder, less lumpy rope than the eight-strand, cutting down wear but retaining the ability to make a single splice.

The main advantage of TQ12, however, is a 50 per cent increase in strength for the same size of rope. A mid-sized 7/8-inch rope made of TQ12 will hold a 63-tonne load before breaking, compared with 41.2 tonnes for a standard eight-strand rope.

According to Yeardale, about half the extra strength comes from the way the raw material polymer chips are extruded into fibres, and the proprietary combination of water inhibitors and additives included at this stage. The rest comes from the 12-strand design, the angle of lay, and the method of termination.

For Rose, the new rope is a welcome addition to Bridon Marine's range when conditions are tough in the shipping industry. "It's a good thing to do now because customers will see the benefits," he says.

The rope is aimed at the marine market - moorings for ferries, cruise ships, cargo ships - which is important for Bridon as it balances the peaks and troughs caused by big contracts from the offshore industry. "We're going after business that is currently eight-strand," he says, and is looking first at the UK, Scandinavian and US markets.

So who said British industry is on the ropes?



To the left: The Greenwich distillery will be capable of producing 10m litres of grain spirit a year

Raising a glass to computerised gin

London's first new white spirit distillery for 84 years opens today. Philip Rawstorne reports

When it comes to judging the quality of neutral white spirit - used in making premium gin and vodka - no technology can yet entirely replace a sensitive nose.

So London's first new white spirit distillery for 84 years, which comes into production today, will have its output monitored by four men with highly-tuned noses as well as by such analytical aids as gas chromatography.

"We have tried to produce a scientific 'fingerprint' of the perfect distillation but without success," says John Reagan, distillery manager.

"The nose, and particularly the customer's nose, is still the final arbiter of quality. It can sometimes pick up things which more scientific analysis does not detect."

The £10m joint venture at Greenwich between Invergordon Distillers, the Scotch whisky company, and Tunnel Refineries, a member of the Tate & Lyle group, will be capable of producing 10m litres of grain spirit a year.

Invergordon has been producing

white spirit at its distillery on the Cromarty Firth, north of Inverness, since 1979. Sales last year amounted to about 5 per cent of the company's £22.4m turnover.

"The location of the Greenwich distillery, close to the major markets in London and south-east England, and in continental Europe, should see us well placed to expand sales," says Chris Greig, Invergordon's managing director.

Britain's gin and vodka makers use about 88m litres of potable spirit a year. Total European Community demand amounts to more than 400m litres.

The Greenwich venture marries the skills of the two companies. Tunnel's expertise is in grain processing. It produces glucose syrups and starches for the food, soft drinks and brewing industries.

Invergordon has more than 30 years' experience in distilling. It is the fifth largest Scotch whisky producer, supplying several multiple retailers in the UK and continental Europe with own-label brands.

Though the basic distillation process has not changed for centuries,

the Greenwich distillery incorporates the most up-to-date technology to ensure low-cost quality production.

The distillery employs only 13 men. Two technicians per shift control the round-the-clock operation with the help of a Texas Programmable Login Control system. The computerised system allows continuous monitoring and on-line control of the process and operating costs.

Liquid wheat starch is supplied from Tunnel's adjacent processing plant. It is cooked and converted into a syrup before transfer to six 18-tonne fermenters, each with an automatic cleaning-in-place system to maintain sterility.

A traditional yeast is added to the fermenters to convert the syrup into alcohol. The wash produced at the end of the process is fed into a six-column distillation plant into which Invergordon's own engineers have designed a number of heat recovery techniques to reduce energy consumption. Separate columns remove fusel oils, methyl alcohol and other impurities to produce a high-grade neutral spirit.

Technically Speaking Keeping tabs on benchmarking

By Alan Cane

PROFITS and share price are simple measures of overall corporate competitiveness. Individual departments,

however, find it more difficult to put up hard numbers to show how they compare with the opposition - especially if they are service organisations rather than profit centres.

These days, data centres and management information systems departments have urgent need of a reliable benchmarking technique.

They are under attack from senior management, anxious to get better value for the money spent on information technology.

Installed computer power is rising by an average of 40 per cent a year in large data centres, yet there is heavy pressure on IT budgets and an increasing tendency to look at the possibility of "outsourcing" - turning over the company's entire data processing operations to a computing services company for a fee against an agreed level of service.

With this background, it is easy to see why IT departments from large organisations are keen to take part in projects such as the "Impact" programme, initiated by the National Computing Centre and now managed by consultants Peak Marwick. Impact is sponsoring a number of studies designed to measure the effectiveness of IT investment.

As one of the participants remarked: "It helps to give us an idea of where we are in the spectrum."

It seems likely that most companies could make substantial reductions in their data centre costs. Compass, a Scandinavian company which has developed a technique for measuring the efficiency of data centres, reckons that savings of between 5 per cent and 40 per cent can be immediately identified for most IT operations.

Compass's data are particularly interesting because the company now has records for many of the largest UK businesses stretching back to 1987. Its method is to measure some 200 variables in data centre performance. It is then able

to combine them into an overall picture, not only of the efficiency of the centre but also of how it compares with competing organisations.

Compass has followed a fixed group of UK companies since 1987. Its results suggest that although total IT costs for the group rose by 14 per cent annually, overall unit costs fell 31 per cent each year. In other words, although the members of the group were increasing their investment in IT, they were getting better value for money.

Now, as managing director Theo Salisberg is happy to admit, there is no magic in the Compass approach or that of its competitors, Real Decisions Corporation or Nolan Norton.

The benefits come from the detailed way in which the data are collected, which forces companies to think hard about every aspect of the data processing department.

The level of measurement involved seems to be new to many companies. IT spending decisions are too often taken on inadequate data.

Outsourcing, for example, may for all its fashionability produce a more expensive solution. One company which quoted a minimum \$13.4m (25.8m) a year for a seven-year facilities management deal found that by following Compass's recommendations it saved more than \$4.6m in four years. Over the entire period, concentration on internal efficiencies resulted in lower costs than outsourcing.

For maximum benefit, however, data centre costs have to be measured regularly. In the five years Compass has been investigating UK companies it has seen the use of its technique change from a one-off "health-check" to a continuous method for monitoring performance.

Ford of Europe, for example, has carried out a study each year and acted on the results. Production capacity has been doubled with lower staff levels and without increasing overall costs.

Once the cost base has been established through measurement, it is possible to set targets with a real chance of achieving them.

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LEGAL NOTICES

The Insolvency Act 1986
In the High Court of Justice
at Westminster No 31 of 1992

Re TREVOR GUY
of St Albans Road, Knebworth, Herts SG9 9EE

1, GERALD MATTHEW KRASNER, Chartered Accountant of Bedford and Co, Bedsey House, 13

Clarendon Road, Leeds LS2 8RF, jointly with

the above named defendant as trustee of the estate of the above named defendant on 26 July 1992.

All processes having in their peremptory nature of the effects of the bankruptcy court deliver them to me, and all dates due to the bankruptcy court for paid me. Creditors who have not proved their debt shall be deemed to have done so to me.

Dated this 10 day of September 1992

G M KRASNER, Liquidator

UNITED STATES BANKRUPTCY COURT
DISTRICT OF NEW JERSEY
IN THE MATTER OF
AMERICAN BIOMATERIALS CORP

A Virginia Corporation
Debtors

Chapter 11 Case No. 87-07216

NOTICE TO STOCKHOLDERS OF
AMERICAN BIOMATERIALS CORP
OF LAST DAY FOR FILING PROOFS
OF INTEREST AND RENDERING
STOCK CERTIFICATES

TO ALL STOCKHOLDERS OF AMERICAN
BIOMATERIALS CORP

PLEASE TAKE NOTICE, that on December 4, 1991, the Plaintiff, American Biomaterials Corp., (the "Debtors") filed a voluntary petition for relief under Chapter 11 of Title 11 of the United States Code, in the United States Bankruptcy Court, District of New Jersey ("Bankruptcy Court").

PLEASE TAKE FURTHER NOTICE, that on December 14, 1991, the Bankruptcy Court issued an Order dated September 30, 1991 confirming Debtor's Amended Plan of Reorganization ("Plan of Reorganization").

PLEASE TAKE FURTHER NOTICE, that the Bankruptcy Court has entered an Order dated August 3, 1992, which sets October 30, 1992 as the last date for filing proofs of interest and rendering stock certificates.

PLEASE TAKE FURTHER NOTICE, that proofs of interest and original stock certificates must be mailed or otherwise delivered no later than 12:00 pm on October 30, 1992 to:

Jessica, Morris, Peckitt & Spivak,
300 Alexander Park, CN 2226,
Princeton, New Jersey 08543-5226

Attn: Andrew S. Wallman, Esq.
(609) 426-2200.

Dated: August 3, 1992.

BY ORDER OF THE UNITED STATES
BANKRUPTCY COURT

RONALD B. WILKINSON, CLERK

JAMES D. MOORE, CLERK'S OFFICER

Attorneys for American Biomaterials Corp.

300 Alexander Park, CN 2226, Princeton,
New Jersey 08543-5226

Attn: Andrew S. Wallman, Esq.

Data source: BMRC Businessmen Survey 1990

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MONDAY DEPARTURE	0745
TUESDAY DEPARTURE	0845
WEDNESDAY DEPARTURE	1145
THURSDAY DEPARTURE	1645
FRIDAY DEPARTURE	1745
SATURDAY DEPARTURE	1845
SUNDAY DEPARTURE	1945
MONDAY DEPARTURE	2045

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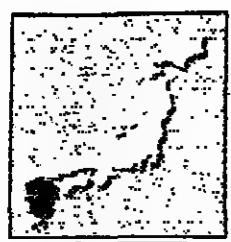
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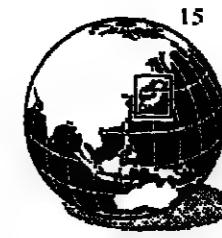
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KYUSHU

TUESDAY SEPTEMBER 15 1992



As growth slows in most of Japan, Kyushu is still experiencing patchy progress. While the pessimists argue that national trends eventually filter down to the island, others hope it will escape unbruised. Robert Thomson reports

Defying the downturn?

WHEN a local banker in Kyushu, the southernmost of Japan's four main islands, explained the region's ability to avoid the worst of the economic downturn which is afflicting the country, he alluded to a chapter in history.

In the late 13th century, Japan was under threat of invasion from the Mongol army. Initial landings were made and battles were fought in Kyushu. Defeat seemed imminent in the face of the all-conquering Mongols until a sudden storm, or *kamikaze* (divine wind), wreaked havoc among their vessels, forcing a retreat.

Kyushu now hopes that a divine wind of a different kind will enable the island to avoid the damage which has been seen in Tokyo and Osaka, Japan's two largest cities. There is a general sense that the emergency economic package of Y10,700bn, announced in late August by Mr Kiichi Miyazawa, the prime minister, has come in time to make sure that Kyushu will maintain its momentum.

The island, which is about the size of the Netherlands, has a long list of public works projects, such as 'bullet' train lines and motorways, which will provide an important source of stimulation for an area that accounts for about 10 per cent of the national economy. The investment average



Dormant volcano, Mount Komazuka: with an economy still growing, can Kyushu fend off the decline affecting the rest of the country?

for Japan is 80 per cent private to 20 per cent public, while the ratio in Kyushu is 70:30.

However, the island's prefectoral governments have attempted to lessen their reliance on Tokyo money and have been highly successful in luring in new car and electronics factories over the past few years.

Mr Hachiro Okuda, the governor of Fukuoka prefecture in the north, says that capital spending has continued to expand in the region, while contracting elsewhere – investment in manufacturing industry rose by 35.9 per cent in 1990 and by 4.8 per cent last year, after a rise of 31 per cent in 1988.

"Compared with the rest of Japan, we are in a good condition. There has been a decline in land prices in Fukuoka, but no abrupt fall. The economic package will have a good psychological impact here, but we are still catching up. Our economy took off only 10 years ago and we have room for growth," Mr Okuda said.

Fukuoka city is fast becoming the Tokyo of Kyushu, sucking in investment and attracting young workers from rural areas. It has an urban dynamism absent from most of the island, with interesting indulgences in post-modern architecture. Its stance is that of an Asian regional centre rather than simply the biggest city on

time to trickle down to Kyushu and that the pain of recession will be felt before the year is out.

But Kyushu has benefited from the rapid expansion of manufacturing during the late 1980s, as has been reflected in the capital spending surge.

Toyota Motor is building a new car plant on the island and Nissan has an assembly facility, while the two makers' suppliers are establishing local bases.

NEC has a liquid crystal display panel factory in Kyushu and most semiconductor makers have established a presence on the "silicon island", which offered cheap land and a supply of workers when companies were worried about labour shortages.

The investment has quickened the transition of the Kyushu economy, heavily reliant on coal and agricultural output during the 1950s and 1960s. Coal production fell from 25m tonnes in 1960 to 6.8m tonnes in 1988, while integrated circuit output quadrupled between 1980 and 1985 and almost doubled between 1985 and 1988.

And while other countries' shipbuilding industries have collapsed, Kyushu's industry, highlighted by the huge Mitsubishi Heavy Industries facility in Nagasaki harbour, is now prospering from an upturn in orders and from a lack of international competition. Having weathered the South Korean challenge, Japanese builders are now expected to take more than 50 per cent of all orders over the next decade.

The increase in manufacturing capacity, combined with the slowdown in the domestic economy, has prompted a more embarrassing change. Kyushu once boasted that it was Japan's import base, playing an important role in reducing the politically-sensitive trade surplus. But, confronted by weak domestic demand and the need to justify recently completed plants, manufacturers are sharply increasing their exports.

Exports rose 10.2 per cent in the first half of this year, while imports fell by 4.2 per cent. Local trade officials said the increase was a natural result of Kyushu's proximity to thriving Asian economies, yet exports to Asia fell 3.3 per cent during the first half and those to the EC rose 25.3 per cent. Most significantly, car exports rose 23.4 per cent, a not surprising outcome given the 6.5 per cent fall in domestic car sales during the second quarter.

In the longer-term, Asia will be the focus of Kyushu's attention, a point made clear by Mr Okuda, who points out that Fukuoka is closer to Seoul and the Chinese cities of Shanghai and Dalian than it is to Tokyo.

This week, Fukuoka is hosting an Asian film festival, with works from Vietnam, China and, appropriately enough, Mongolia, while other prefectural governments are gradually expanding their network of offices in the region.

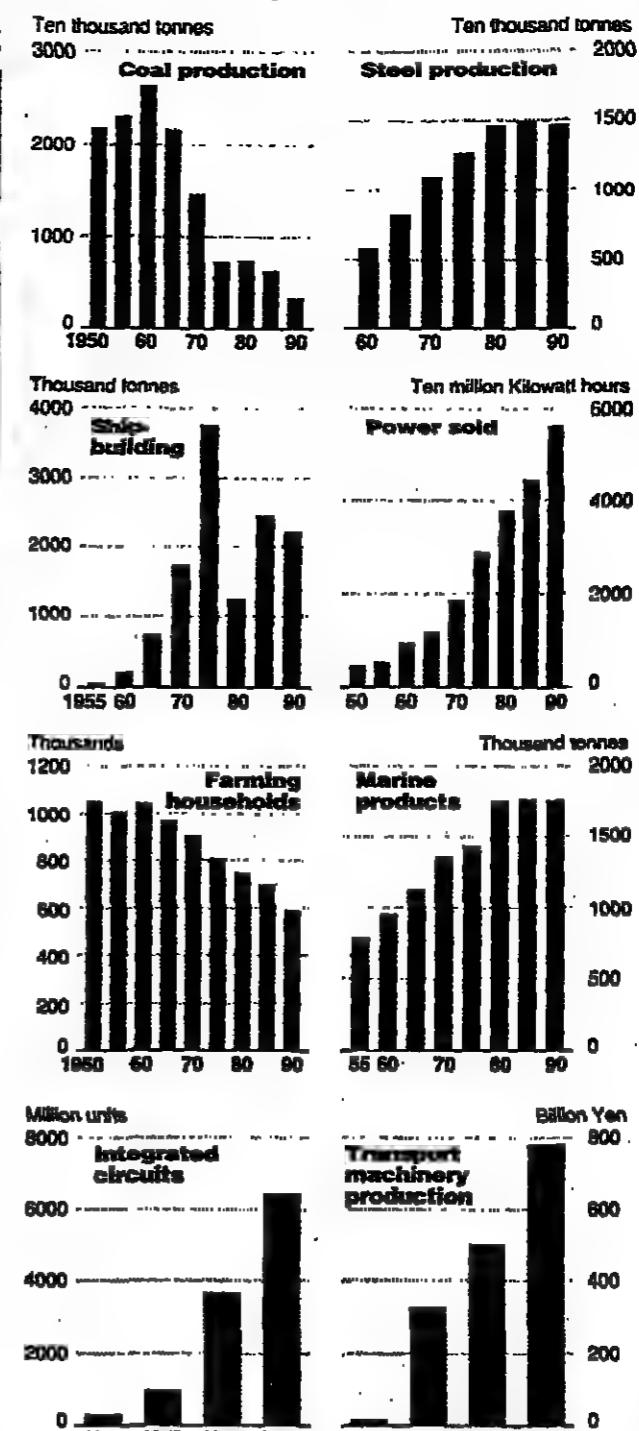
In Nagasaki, the government is trying to cultivate an image beyond that of a memorial to atomic bomb victims. The governor, Mr Isamu Takada, has reached deeper into the city's history, highlighting its traditional role as Japan's gateway to western and Chinese culture. "We see ourselves as a good base for the software industry. We must find more jobs for our young people because they are still being lured to Tokyo," Mr Takada says.

But he is not expecting much help from the central government, seen by the prefectures as a hindrance to their grand ambitions – ambitions which are yet to feel the effects of a recession.

"There has been a lot of talk about decentralising government functions, but we have received nothing in the past decade and we are unlikely to get anything in the future. It's too convenient for the bureaucrats and politicians to keep everything bottled up in Tokyo."

Pictures in this survey by Glyn Genin

Kyushu industry



Sources: Nippon Keisan Marketing Data

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KYUSHU 2

Robert Thomson finds the city banks licking their wounds

Locals weather the storm

IF THE international banking community had reservations about the rapid spread of Japanese commercial banks' influence in the 1980s, Japan's smaller regional banks had real reason for concern about the tougher domestic competition that would flow from financial liberalisation.

In the late 1980s, the regional banks could see that the commercial or city banks as they are known in Japan, were courting their customers, bolstering networks outside Tokyo and preparing to take advantage of interest rate deregulation, due to be completed by 1994.

But, in Kyushu, while the Tokyo and Osaka-based city banks are counting the costs of expansion during late 1990s and still calculating the problem loans arising from their exposure to the troubled property market, the regional banks are now more relaxed.

Instead of taking Kyushu banks' customers, the city banks are selling loans to the regional banks in an attempt

to trim assets. And Bank of Japan research shows that while city bank lending in Kyushu fell by 4.2 per cent in June, and 3.9 per cent in July, compared to a year earlier, local bank lending rose by 5.4 per cent and 6.9 per cent during the same two months.

Mr Tatsuo Goto, president of the Nishi-Nippon Bank, based in Fukuoka, smiled as he contemplated the waning potential threat from the big city heavyweights: "We have no problems with the city banks here. There are too many banks in Fukuoka, but it is the city banks which are weaker."

Fukuoka prefecture is Japan's largest number of regional bank branches - 42, almost 50 per cent more than the next largest collection in Shizuoka prefecture, near Tokyo, and double the number in most prefectures. As a result, the area's smaller banks are ripe for the mergers that the Ministry of Finance presumes will come with liberalisation, but city banks, too, have

faced tougher than usual competition.

With Fukuoka city rapidly becoming the Tokyo of Kyushu, smaller banks in other areas on the island have attempted to expand their operations in the city, adding to the forest of signs in the already overcrowded banking district.

Like the city banks, some of those regional institutions have found that the ebbing financial tide of the early 1990s has exposed unwise expansion made during the 1980s.

The newcomers, large and small, were also willing to lend to local companies that had exhausted their credit with the established banks. One side-effect of the increased lending is the 3,000 vacant apartments in Fukuoka city built by property

developers who, along with the banks, got the market wrong. Mr Goto insists, apartments aside, that Fukuoka has avoided the extreme excesses seen in Tokyo and Osaka. He admits that some companies have been forced to restructure their loans but says that, for Nishi-Nippon, non-performing loans are not a particularly heavy burden.

"We have always looked at the quality of our assets. If we are evaluating a troubled company, we will look at the policies of the management and, for example, whether they have a good stock of land. If their long-term prospects are good, we will assist them," Mr Goto said.

The Nagasaki-based Eighteenth Bank also appears to

have weathered the 1980s successfully by concentrating on its local banking network. It has 128 branches, 110 of them in Nagasaki prefecture and another 10 in Fukuoka prefecture, and new branches are planned for the northern Kyushu area.

Mr Genji Nozaki, the bank's president, said that his institution had bought about "six or seven loans" from city banks that were trimming their assets, although he sensed that, in the longer-term, these banks would pose a threat to the regional banks' profits.

"Real liberalisation has yet to come. If interest rates are actually liberalised, we really can't say what will happen. It would certainly be more difficult for the smaller banks to compete," Mr Nozaki said.

"It is also true that the city banks are not as strong as they were three years ago," he added.

Both Mr Nozaki and Mr Goto at Nishi-Nippon are former finance ministry officials, a common background for regional bank heads.

Both are determined to keep their banks above the 8 per cent capital-to-assets ratio that was established through the Bank for International Settlements.

The BIS ratio at Nishi-Nippon was 8.18 at the end of March, compared to 8.66 a year earlier, while Eighteenth Bank was at around 9 per cent in March 1991 and 8.65 per cent last March.

Mr Nozaki said that the best way to safeguard the bank's financial standing was to concentrate on the local community.

With this in mind, it launched a corporate identity campaign with a three-pronged slogan - banking, together with the community, in the interests of the customer, and

with sincerity. The slogan is somewhat snappier in the original Japanese.

The Kyushu banking community need only turn to the Fukuoka stock exchange for a lesson on how large financial institutions can quickly consume the local competition. Mr Kubo Shimomura, president of the exchange, lamented that in 1949, there were 24 local brokers, of which only one remains.

"It's really a bit unfortunate. The brokers here these days are Nomura Securities and Yamaichi Securities and so on. The others no longer exist," Mr Shimomura said.

He said Fukuoka was really "just one floor" in the one Japanese market, with 25 of 252 stocks listed only on his exchange and the others based in Tokyo or elsewhere.

About 62 Kyushu companies are interested in listing, but the stock market weakness over the past two years has forced companies waiting for better times.

THE CLAY soil of Kyushu has for centuries yielded the raw material used to produce ceramics and to this day it is turned by the craftsmen of Arita into exquisitely fashioned bowls and ornaments.

More recently, Kyushu's status as "silicon island" derived in part from the availability of the ceramics which went into semiconductors.

But in between high art and high-tech, for the past 75 years one Kyushu company has been supplying the nation with a more prosaic form of ceramics and its products are used almost every day by almost every Japanese.

Toto, based in Kitakyushu, is the country's biggest manufacturer of toilets, with annual sales of ¥417.5bn and a domestic market share of more than 60 per cent. It was the creator 12 years ago of the Washlet, a microcomputer-controlled combination toilet-bidet which has been featured on numerous western television shows.

Tied closely to the domestic economy, its profits dipped last year, amid the downturn in construction activity, to ¥30.2bn before tax, down 13 per cent. But it has been expanding in Asia, Europe and this year the US, and analysts argue that its dominant position at home means it can set the industry's pricing terms and will be well placed for a

PROFILE: TOTO

Washlet creator tries new tricks

revival in housing starts.

Japanese take their bathrooms and kitchens (units for which the company also supplies) seriously. And Toto takes its products seriously - the executive washroom next to the office of Mr Shigeru Ezoe, who took over as president in June, is ripped out every year to accommodate its latest models.

He says that Japan's ageing society, putting a greater emphasis on living standards, is prompting new demand. Business comes two thirds from new homes and the rest from renovations. "In the US the reverse is true, and we foresee the same happening here," he adds.

Toto has just opened a ¥17bn factory near its head office which came fully on stream in June. It employs just 380 of Toto's nearly 11,000 staff. A fleet of unmanned vehicles whisks units from the end of the production line, while robots methodically lift and lower toilet seats while they

put the final touches in place.

In spite of the less than glamorous nature of the work, Mr Ezoe says the company did not suffer from Japan's labour shortage of the early 1990s, "thanks to our Kyushu base" where good quality labour has remained in ready supply.

While Toto has plants elsewhere in Japan, the island remains its main production centre. Abroad, meanwhile, it has stakes in sanitary ware producers in South Korea, Thailand, Taiwan and Indonesia as well as in Allia of France and Keramag in Germany.

Overseas sales account for over 10 per cent of total revenues, of which direct exports into Europe and the US make up barely 2 per cent. After opening a California sales outlet, US manufacturing will begin this autumn from a plant in Atlanta.

American sanitary ware makers may balk at the arrival of a competitor from a country where the sector's three biggest producers

together account for more than 90 per cent of the market.

But Mr Ezoe stresses that Toto does not intend to take US makers of conventional toilets head-on; rather, the Atlanta facility, which will initially employ just 65, will make only those using water-saving flushing systems.

Toto has some 1,200 employees engaged in research and development and is seeking to expand into related areas. "Our business is to do with water," says Mr Ezoe, who rose through the company's technological division and now has several dozen people working in purely biological research. The number of technical staff overall has trebled in the last seven years.

Toto has enabled it to put into production, for example, ceramic parts for optical fibre connectors. But the product for which it is best known is not which it is not being neglected.

Next year's low-noise Washlet will have an ozone-friendly deodorant dispenser built in, while the company has been working with Omron and NTT, the electronics and telecommunications groups, to produce a "health management toilet system" which measures glucose and protein levels and can take the user's pulse and blood pressure too.

Gordon Cramb

Key statistics

	Japan	Kyushu	Kyushu as % of Japanese total
POPULATION	123,612,000	14,516,000	11.7
Projected to 2005	184,247,000	16,461,000	11.5
EMPLOYMENT ('000s)			
Agriculture, fishing & forestry	4,583 (7.9)	815 (13.3)	18.8
Manufacturing, industry	20,516 (57.1)	1,126 (18.6)	5.5
Finance, retail	30,468 (55.0)	4,107 (67.0)	13.8
GDP (billion yen)			
1980/81	247,511	22,919	9.3
1985/86	327,445	26,705	8.8
1989/90	419,422	36,530	8.5
UNEMPLOYMENT % RATES			
1975	19.90	19.89	19.90
1980	2.3	3.4	3.0
Japan	3.2	3.3	3.7
Kyushu			
Figures in brackets are % of total			

Source: Japan local government centre, London



Whilst the success of the "one village, one product" has prompted other regions in Japan and overseas to follow Oita's example, Mr Hiramatsu admits that the hardest challenge Oita faces is the departure of the younger generation to larger cities.

"It's a problem that any small region in any country in the world faces," says Mr Hiramatsu. "For that, Oita needs to be a base for information and culture."

Even Oyama is finding it harder to prevent depopulation. Mr Yano of Oyama says that while the town has managed to build a reputation for high-quality agricultural goods, life is still hard and the short-sightedness of the government's agricultural policy is discouraging Japan's farmers. Although Mr Yano's son has returned to the farm after graduating from university in Tokyo, "it's really hard to tell him to work with high hopes for the future," says Mr Yano.

Emiko Terazono

THIRTY years ago, when the government was encouraging the increase in rice crops, the farmers of Oyama - a small town in northern Oita prefecture - sacrificed their rice paddies for chestnut and plum fields. As a result, and under the strong leadership of the village mayor, Oyama transformed itself from a poor rural village to one of the richest farming communities in the country.

Oyama's plum and chestnut campaign was initially received with scepticism, even among the farmers in the town. "People thought we were crazy, telling people to stop growing rice," says Mr Kinti Yahata, present mayor of Oyama.

But after Mr Yahata's father, then village mayor, explaining to the farmers that Oyama - surrounded by mountains with little flat land - was not a place for raising cattle or for rice farming, those who initially opposed gave in and Oyama started cultivating fruit, which grows easily in mountainous areas and would suit Oyama's climate.

The Japanese government's "double income campaign", encouraging people to work harder to increase their income, also predicted a change in the eating habits of the Japanese. "If people earn more money, it doesn't mean that they'll eat more rice. Instead they'll try to eat an assortment of foods in small portions," says Mr Yahata.

Thus, a small impoverished village grew into a town producing 130 different fruits and smaller scale produce, such as mushrooms, cress and herbs.

Mr Yahata also points out that the government is not aware of the speed at which the eating habits of the Japanese are changing. He says small-farmer production of high-quality goods represents Oyama's means of survival, especially when overseas pressure to increase imports of agricultural goods is rising.

Oyama's strategy also changed the image of farming and curbed the outflow of the younger generation into cities.

Mr Seitaro Yano, a 53-year-old farmer from Oyama who owns plum fields and grows mushrooms, was 23 when the village began its restructuring. "I wanted to go to university and I was keen on leaving. Oyama when I had the chance, but the new campaign to change Oyama gave me an incentive to stay," he says.

Mr Yano says going against the trend of mass production was what led to Oyama's success. "Just following the government's agricultural policy is not good enough."

Oyama's enthusiasm spread throughout Oita with the "one village one product" campaign, launched by Mr Morihiko Hiramatsu, the governor of Oita, in 1979. Oyama's effort to establish an identity among its populace and inspire local pride through the production of special products coincided with Mr Hiramatsu's aim to rescue Oita's ailing economy and failing self-image.

Mr Hiramatsu urged local communities to develop at least one original product which they could call their own. "Only something truly local can be global and I didn't want copies of what people

could buy in Tokyo," he says. His efforts resulted in the Oita shiitake mushroom, which holds 20 per cent of the country's market, and Himeshima prawns, which, at ¥4,000 per batch, raise an annual ¥1.5bn for the prawn farmers of Himeshima island. Oita mandarin oranges sell at ¥500 per 100g. This compares favourably to car production, since a 1.5-tonne car, selling at ¥3m will mean sales of only ¥200 per 100 grams.

No subsidies are provided for the production of the local specialties. However, the prefectoral government provides aid for research and development of the products, as Mr Hiramatsu believes that truly beneficial products can not emerge through government subsidies.

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KYUSHU 3

Many see overseas investment as an advantage for the future

The island looks abroad

GREENFIELD sites in Kyushu are just that. In the lush and rolling terrain towards the island's northern tip, surrounded by forests and rice fields, the arrival next spring of Toyota is signalled by the vast pastel-coloured corrugated barns which will house its plant.

For the country's biggest car maker, the facility will be its first domestic production centre outside its Aichi home. When fully on stream it is intending to produce 200,000 cars a year, assuming a revival in the country's depressed automotive market.

This, with a near-doubling of capacity at Nissan nearby, will bring Kyushu's annual car output to at least 700,000 units out of a total for Japan of 4.5m.

Although local demand was one consideration - Toyota is building a similar facility in Hokkaido, northern Japan - the company thinks that at best 10 per cent of the vehicles built in Kyushu will stay on the island. A more important factor was the availability of land.

The abundance and relative cheapness of industrial real estate in Kyushu, in addition to a well-trained workforce, have helped draw manufacturers there in the face of what Mr Jippei Mutoh, a director of the nascent Toyota operation there, acknowledges is a below-par transport infrastructure.

Expressways and rail links on the island are being extended, and last month's record central government package of public works spending may yield funds for a further upgrading of ports.

Still, local business leaders at times show agitation that budgets distributed in Tokyo do not take enough account of the region's needs. "We are saying a share should be fairly given to local areas as well," says Mr Ryohi Tsukuda, president of Bank of Fukuoka, Kyushu's biggest home-grown bank. "Whether it works like that is questionable."

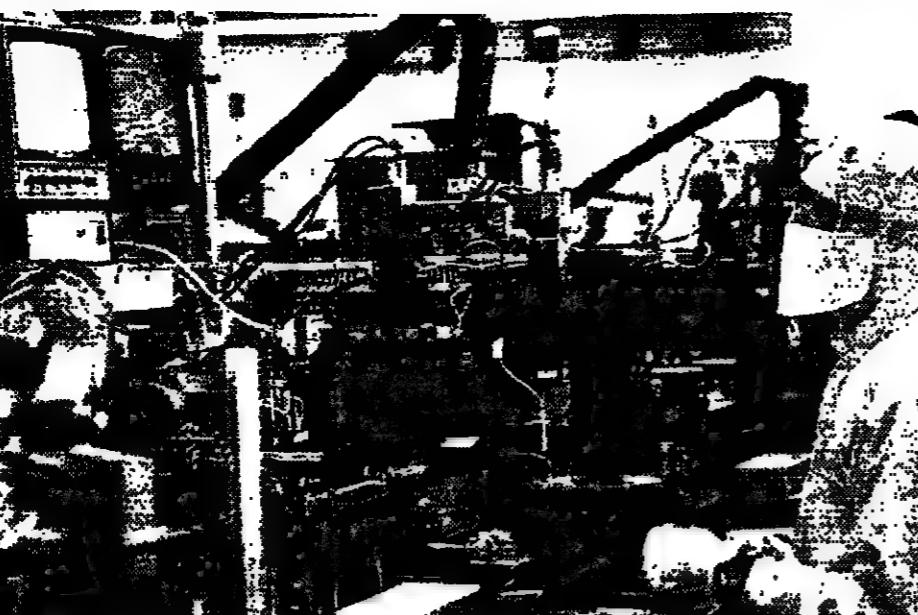
The economic downturn in Japan has now begun to hit Kyushu, lagging about six months behind the rest of the country and not yet so severely affected by it.

Access to investment capital on the island has not altered markedly, although the projects for which funds are intended are likely to receive closer scrutiny.

"There is no credit crunch in Kyushu," Mr Tsukuda maintains. His loan book will grow some 3 to 4 per cent this year - sharply down from the usual 10 per cent, but most of the difference reflects curtailed lending through its Tokyo and Osaka branches.

Prefectural governments meanwhile have become all the more anxious to secure new investment commitments. Such keenness, however, has long been the case for those regions away from the industrial north of the island, that seek creative ways to target the limited funds and incentives they have on offer.

Kumamoto in western Kyushu, for example, has a "foreigners first" policy under



The Texas Instruments plant at Beppu: its nearly 1,600 employees include 100 working in R&D

which bigger grants, of up to Y50m, are available for companies from overseas, whereas a Japanese group would get only Y40m. Better soft loans are offered - a maximum of Y400m compared with Y300m and carrying interest rates at a one percentage point discount to those available to domestic investors.

Two foreign companies are siting themselves there this year - the Dutch ASM group and Teradyne of the US, which will both be producing semiconductor manufacturing

Chip-making drew foreign companies to Kyushu as early as two decades ago

equipment. Kumamoto has the world's largest integrated circuit (IC) plant, owned by NEC.

Like other local administrations, Kumamoto is benefiting from the arrival of Nissan and Toyota through the automotive component suppliers which are springing up on the island as a result. A Kyushu-made Toyota will, however, have only about 20 per cent local content, and the company will have some 30 suppliers from which to draw instead of the 180 in Aichi.

The "car island" which Kyushu is beginning to call itself partially eclipses its earlier status as "silicon island".

It produces more than a third of ICs made in Japan, approaching a tenth of the world output, and chip-making draws foreign companies to Kyushu as early as two decades ago.

Texas Instruments (TI) opened its plant on the east of the island in 1973, one of a handful it now has in Japan.

Its nearly 1,600 employees include 100 working in research and development, unlike TI's Japanese rivals which generally confine R&D activities to their head offices.

The practice helps the US company attract skilled staff. Like other manufacturers operating in Kyushu, it seeks to win back to the island those who grew up and trained there

but went on to metropolitan careers.

Prefectural governments make much of this "U-turn" campaign, which they co-ordinate. But some parts of Kyushu still lose 80 per cent of local graduates to the big cities, a figure which has not changed since the drive began in the early to mid-1980s.

Although the country's economic downturn this year has blunted the previously acute labour shortage, key staff in some areas remain hard to find. Mr Kichiro Fukamoto, TI's personnel director for Kyushu, argues that siting R&D at the plant gives something for qualified electronics workers to come back to.

"Getting the U-turn people is a problem for other companies - if they have skills acquired in Tokyo, they can't bring them back," he says.

Among other blandishments, TI offers its staff what it believes to be the shortest working week in Japan - just three 12-hour days. The plant runs six days a week, with Sunday overtime as needed.

But as an indicator of the decline in the world semiconductor market as well as in overall Japanese industrial activity, few Sundays have been worked this year. "Last year it was nearly every

week," says Mr Fukamoto.

It faces a further difficulty, unforeseen at the time it set up in Oita prefecture. As the industry has moved in recent years from standard chips to customised products, its physical distance from its customers has made itself more felt. Online computer links provide only a partial solution.

Others see the island's geographical location as an advantage for the future. Mr Tatsuo Kawai, chairman of the Kyushu Economic Federation, has his eye on the adjacent regions of China, to which Hong Kong capital has not yet rushed as it has in the south.

The large industrial groups in South Korea, which lies between southern Japan and north China - and which last month established diplomatic relations with Beijing - would also be likely to commit



Croquet-playing tourists in Beppu: Kyushu has been successfully competing for foreign tourists, especially from south-east Asia

The South Korean market is growing fast

Kimchi tops the menu

AT THE Suginoi Hotel waitresses busily clean up after the vast number of guests who have eaten at the dinner buffet in the great dining hall. Aside from traditional Japanese dishes, the hotel serves a number of Korean stews and plates of *kimchi*, a red hot Korean cabbage pickle. For as well as attracting local tourists, the hotel - in Beppu, famous for its hot springs - caters to large numbers of South Korean visitors.

Kyushu has been successfully competing for foreign tourists, especially those from south-east Asian countries. Of the 40,000 South Koreans expected to visit Oita this year, some 30,000 will stay at the Suginoi.

The area has become more accessible for South Koreans since Korean Air recently launched direct flights from Seoul to Oita, three times a week. The one-hour flight has brought Seoul and Oita so close that South Korean politicians and leading businessmen come incognito to take a dip in Beppu's hot springs for a few hours.

However, the Suginoi has not achieved its popularity overnight. After seeing the rush of Taiwanese tourists to Kyushu after liberalisation of overseas travelling in Taiwan in 1979, Mr Tatsuo Watanabe, Suginoi's president, predicted the South Korean market would hold the same potential.

When the South Korean government announced the gradual lifting of restrictions on foreign travel in the early 1980s, Mr Watanabe decided to start promoting Beppu to South Koreans. Mr Kolchi Shudo, head of sales and promotion, expects the

hotel's revenues from South Korean tourists to total Y2.5bn this year. While some hotels and ryokan - Japanese-style inns - are reluctant to target foreign clients due to the lower sales per head, the Suginoi is sticking to its strategy because of the South Korean market's high potential.

The hotel has several Korean-speaking employees and plans to send staff to South Korea for training. Mr Choi of Korean Air

says that since meals mean a lot to Korean tourists, buffets, which allow guests to eat as much as they want, are ideal. "They don't want to be bothered by being told how to eat a raw egg for breakfast."

Other prefectures have established strong links with south-east Asian countries. Kagoshima prefecture, this year celebrates the 20th anniversary of its ties - through trade, culture, and tourism - with Hong Kong. Last year, Kagoshima attracted over 50,000 south-east Asian tourists.

A number of new theme parks have started to attract Japanese tourists to Kyushu. Space World in Kita-Kyushu, set up by an affiliate of Nippon Steel, saw a steady inflow of visitors this year.

Tours combining Space World and Huis Ten Bosch, a replica of a Dutch town set

up in Nagasaki which opened last March, have also been a great success.

At Huis Ten Bosch 20m bricks were imported from the Netherlands to construct a Dutch town with buildings which include complete replicas of famous Dutch cathedrals and city halls as well as original creations of Dutch architects.

But why a Dutch city in Nagasaki? From the mid-1640s to 1854, Nagasaki was Japan's sole gateway to the rest of the world. The Dutch and Chinese were the only trade partners permitted by the Tokugawa Shogunate, thus Japan's exposure to western culture was through a little Dutch trading post in Nagasaki Harbour.

However, Huis Ten Bosch, with its 8,000-meter canal network and an adjoining Dutch-style residential area, is only a base for a future resort city, says Mr Akira Kawada, managing director of Nagasaki Holland Village Corporation, the creator of Huis Ten Bosch. In the future, Mr Kawada says it wants to develop the area into a city of about 10,000 residents and hopes Japanese companies will create satellite offices, so employees can work in an environment close to nature.

Emiko Terazono



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PROFILE: BAXTER INTERNATIONAL

Drawn by clean air

WHEN Baxter International, the US medical products group, was seeking a site for a factory in Japan, its consultant identified 1,500 possible locations. A hillside outside Miyazaki city in south-eastern Kyushu was not among them.

Yet that is where Baxter ended up three years ago. The still expanding operation, which now employs 130, is one of the island's smaller foreign manufacturing enterprises. But it bears testimony to the determination of regional authorities to land their chosen overseas investment catch.

The prefectural government, hearing of Baxter's search, obtained biographies of the executives involved. Discovering that Mr Komatsu Kazuyuki, the head of Japan Baxter, was a marine college graduate, officials put out feelers until they found someone from the same academy who could arrange an introduction. Through this circuitous route they were able to convince the US company's directors to pay Miyazaki a visit.

For their part, aside from standard criteria such as labour availability and infrastructure, Baxter executives had other, less tangible requirements. A city with a good quality of life was one factor, even though the group was not skipping out expatriates to run the plant. And it wanted to be the flagship foreign enterprise in its area - a site elsewhere, neighbouring another American plant, was rejected for that reason.

Gordon Cramb

Miyazaki's allure did not go unrequited. Board members who arrived at what was being turned into a gleaming new airport and toured the estuary city of some 290,000 people declared: "This is a Baxter town," according to Mr Tokyo Inai, a former Johnson and Johnson official who is now manufacturing director at the Baxter Miyazaki site.

This July, Baxter added a second production line at the plant, which supplies peritoneal dialysis bags to kidney

patients. It saw a growth opportunity in Japan where barely 5 per cent of such patients use the system, which averts the need for thrice-weekly hospital visits and is employed by a fifth of US and a third of British sufferers. The company now claims 92 per cent of the Japanese peritoneal dialysis market.

Miyazaki, home to the first of 20 sites in Japan designated as a "technopolis", saw its education and research facilities as a selling point. Baxter now sends selected employees on six-month secondments to work with doctors at the local medical university, from whose graduate output it also recruits.

Gordon Cramb

MANAGEMENT: THE GROWING BUSINESS

In a Nutshell

Shedding light on the environment

Pharos, a computerised advisory service launched earlier this year by National Westminster Bank to provide information on the single European market has been expanded to include information on environmental issues.

Pharos, a program which can be used on IBM-compatible machines, builds a profile of the user's business by asking a series of questions. It then identifies issues in these two areas which may impinge on the company.

The weakness of most advice booklets is that they provide answers but give no guidance on the relevant questions, according to NatWest. Pharos, believed to be the most widely used personal computer-based expert system in the world, helps users to ask the right questions.

More than 150,000 businesses applied for free copies of the Pharos program when it was launched. The system is now available for £40 (plus VAT), including an update in March 1993, to NatWest customers, clients of accountants Ernst & Young and CBI members, and for £125 to others.

Contact NatWest on Freephone 0800 777 888 or ask at local branches.

Taking research in your stride

Organisations in areas of industrial decline can meet up to half of their research and development costs under an £11.5m European Community programme known as Science and Technology for Regional Innovation and Development (Stride).

Grants are available for projects which:

- encourage small and medium-sized businesses to make use of the services and skills of institutions of higher education and other research centres;
- expand local centres set up to support innovation and technology transfer;
- promote regional R&D activity;
- and help education and training activities intended to promote the other three areas. Small firms pursuing their own R&D programmes are not eligible.

Contact regional DTI offices and the Welsh and Scottish Offices.

Charles Batchelor offers advice on how to avoid the pitfalls when organising a conference

We can't go on meeting like this

You've probably been there too. The seminar where the presentations bore only a tenuous relationship to the advertised theme. The training session where the overhead projections were too detailed to read from the second row back. The hotel at the other end of town from the conference centre.

Companies spend large sums of money on meetings, seminars and conferences and their executives and staff devote equally prodigious amounts of time to attending them. Some are in-house sessions designed to motivate the sales force or keep managers up to date; others are intended to promote the company's image to the outside world.

How can they make sure that they do not waste their time and they do not damage their image? It probably makes sense to call on professional help for the more elaborate event, although the conference field can be confusing.

You will probably encounter four main types of adviser: production companies which will arrange the visuals and stage sets; venue search companies; convention bureaux which promote facilities in their town; and project managers who will run the whole show. Some production companies and venue finders have also attempted to move into project management.

Companies frequently turn to conferences and seminars as part of their marketing effort, to boost their image. "But the first thing to

ask yourself is why you are doing it," says Vanessa Cotton, managing director of the Event Organisation Company. "The outside world will not be interested if a company just wants to say how good it is. People are even more time conscious than they are cash conscious. Put yourself in the delegate's place and ask if he will feel catered for."

Some of the most effective promotional conferences are those where the organiser picks a broader management theme of genuine interest to its target audience.

"Speakers can shoot off in different directions. There has to be a progression in the speeches," she says. If a speaker is unsure about his ability to speak in public, then he must be persuaded to go on a course of presentation skills.

But for many companies planning a meeting or a conference, the venue is the first consideration. Venues may be functional or spectacular depending on whether the intention is a straightforward discussion of some aspect of business or to reward the sales team for a good performance, says Steven Foulkes-Murray, founder of Meeting Places, a conference organiser.

Country house hotels, castles in Ireland and even cross-Channel ferries have been used for meetings with a "reward" element to them.

"You can pay a lot of money for a prestigious hotel on Park Lane but you won't get value for money if you are holding a functional meeting. You might be better off in a more modest venue."

Even if the meeting is low-key, people have become accustomed to high standards of presentation from television, pop concerts and opera and will expect the same at a busi-

ness presentation. While most conference venues have skilled technicians who can help to ensure that the slide projector works, it is often harder to get the speakers themselves to perform effectively.

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PEOPLE

BT and Mercury set for gridlock?

Two former top executives at Cable and Wireless and British Telecommunications have joined forces to spearhead a challenge by the National Grid Company to the telecommunications duopoly operated by their erstwhile employers.

Gordon Owen, group managing director of C and W until last year, became special adviser to the project, called Telecom Electric, at the beginning of the month. Previously he was in charge of C and W's subsidiary, Mercury Communications, which is BT's main rival in the UK market.

David Dey, managing direc-

tor of BT's business communications division until last year, has joined as Telecom Electric's project leader. Before working for BT, he was in charge of Plessey's telecommunications business.

If a pilot project is successful, the intention is that Owen will become chairman and Dey chief executive.

The appointment of such senior figures in the telecommunications industry is being interpreted as evidence that the National Grid intends to make a big push into the newly liberalised telecommunications market.

Imperial Chemical Industries has reorganised the top of its troubled chemicals and polymers division following the appointment of Michael Brogden as divisional chief executive in April.

Deryk King (left), 44, has been made general manager of a new fourth group within the C&P division comprising its polyester intermediates business and "Melinar" polymers operations. The other three groups within the division are chlor, petrochemicals and plastics, and chemical products. King, currently general manager of ICI fertilisers into which the industrial ammonia and methanol operations are to be integrated, will report to Brogden.

Departures

Peter Hobbs, Wellcome's personnel director and the only remaining member of the pre-1986 board - when the pharmaceuticals group was floated - has left the company.

Neither he, nor Wellcome, the company best-known for Zovirax, an anti-viral medicine, and AZT, the HIV-treatment, would give reasons for his departure.

Hobbs, who is 54, says the departure was entirely amicable although he had no other position to take up. He is considering a number of options in the private and public sector.

Wellcome indicated that his replacement is unlikely to be a member of the main board.

Michael Rehebeck has resigned as managing director of Galerias Preciosas, part of MOUNTLEIGH GROUP which is now in the hands of receivers. He is replaced by Jaime Uva, the purchasing director.

Harry Mitchell is retiring from WELLCOME.

Michael Livingston, corporate development director of LILLEY, is resigning to pursue other interests.

Barry Whetton has resigned from CONRAD CONTINENTAL.

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■ Timothy Newman has been promoted to group treasurer of The HAMMERSON PROPERTY INVESTMENT AND DEVELOPMENT CORPORATION.

■ David Newman, formerly director of finance at Shell Ventures UK, has been appointed finance director of the SIRA Group of companies.

■ Ian Storey has been appointed international marketing director of MARLOW FOODS; he moves from Unilever.

■ Andrew Allner has been appointed director of financial control at GUINNESS; he joins from Price Waterhouse, where he dealt with Guinness among other companies, and succeeds Philip Yea who was recently appointed director of finance for Guinness Brewing Worldwide.

■ John Gaydon, formerly a director and executive producer of Medialab, has been appointed md of POLYGRAM TELEVISION INTERNATIONAL.

■ Paul Seftel has been appointed md of BENDICKS OF MAYFAIR, the UK subsidiary of The Stork Group.

■ Terry Dabbs, md of Electrolux Service, has been appointed senior vice-president of After Sales Europe.

■ Martin Sanderson, finance director of Carbo, has been appointed to the board of its parent, The HOPKINSONS GROUP.

■ John Cope has been appointed to the board of PORTALS GROUP and md of its protection and control division.

■ David McNair has been appointed marketing director of Hiram Walker, the spirits and wine sector of ALLIED-LYONS; he moves from United Distillers.

■ William Whitehead (below), formerly director of manufacturing operations, has been appointed to the main board of ROYAL DOULTON as production director.

■ Michael Rehebeck has resigned as managing director of Galerias Preciosas, part of MOUNTLEIGH GROUP which is now in the hands of receivers. He is replaced by Jaime Uva, the purchasing director.

■ Harry Mitchell is retiring from WELLCOME.

■ Michael Livingston, corporate development director of LILLEY, is resigning to pursue other interests.

■ Barry Whetton has resigned from CONRAD CONTINENTAL.

■ Howard King has resigned from JONES & SHIPMAN.

■ Michael Druepp is to retire from LISTER & CO.

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Tokio Katayama comes from the new director general in London of the Japan External Trade Organisation, JETRO's largest overseas office.

Like all appointees to this post, Katayama comes from the Ministry of International Trade and Industry (MitI). Since 1990 he has been director of the electric power administration division of the Agency of Natural Resources and Energy. Before that he had picked up experience of trade relations as a director of MitI, dealing with Taiwan, South Korea and Hong Kong. At MitI since 1969, he spent three years as first secretary in the Japanese embassy in Singapore, where he was concerned with Japan/Singapore trade relations.

He succeeds Shun-ichi Nakao, who is returning to Japan after two years in the UK - which included the Japan Festival, a "highlight" of his tour, according to an official. Nakao becomes executive director of the New Office Promotion Society, which is aiming to improve conditions for the country's office workers.

While JETRO these days concentrates on promoting foreign imports, rather than Japanese exports, Katayama is giving nothing away as to precisely what his UK sojourn.

The statement that emerged from his office read: "It is most gratifying that as a result of mutual effort over many years, Anglo-Japanese relations are so good. Although there have been some problems between the two countries, we have always been able to iron these out, and I believe that the most important thing is our continuing will to deepen and widen this good relationship for the future."

A new Securities Act will come into force on January 1. It will feature standard disclosure and trading rules and set the stage for efficient capital markets which will be open to foreign investors without the complexities inherent in the previous "deal path" of buying from the government.

Direct foreign investment in the Czech Republic has so far been limited to just 41 deals, with total investment falling significantly shy of the anticipated level of

One-stop shopping in Czech privatisation

By Daniel Arbess

In the former Czechoslovakia, the "velvet divorce" of the Czech lands and Slovakia has preoccupied the outside world in recent months. Behind the scenes, however, the Czech Republic is quietly forging ahead with a programme of economic reform and privatisation that is already serving as a model for the region.

One of the most important developments in the reform programme is the creation of an overnight capital market for thousands of companies participating in the voucher privatisation scheme. The initial wave of privatisation involves five "rounds" of bidding. In the first three, more than 120 companies have identified their new shareholders, and by the end of the year, nearly 1,000 companies will be trading.

The majority of these will be controlled by a handful of closed-end mutual funds. Fund managers have induced individual holders of voucher books to invest with them by promising guaranteed returns. The funds will soon be under pressure to sell to satisfy these put obligations.

They will also want to maximise their investments, restructuring the old state enterprises by raising capital and negotiating for foreign management, technology and marketing commitments.

All of this should spell opportunity for many strategic and financial investors who have been waiting on the sidelines to see how the reform programme developed.

A new Securities Act will come into force on January 1. It will feature standard disclosure and trading rules and set the stage for efficient capital markets which will be open to foreign investors without the complexities inherent in the previous "deal path" of buying from the government.

The government has also published a resolution dealing with environmental liabilities. Foreign investors are understandably nervous about such liabilities in light of the poor environmental record of previous state enterprises, and the stated intention of the Czech government to enforce European Community standards during the next few years.

The new resolution will

apply to companies due to be privatised in the second wave.

While not discouraging foreign investment, government policy has generally favoured letting the new shareholders sort things out with willing buyers after voucher privatisation.

As a result, investors pursuing deals with the government have complained about the *ad hoc* character of the process, especially the lack of coordination among reviewing ministries and the absence of review criteria.

The government has tried to address these problems and generally accelerate the process by creating a new inter-ministerial privatisation commission as the deciding authority to replace the cabinet-level economic council.

The commission will have to be responsible for on-site environmental conditions. However, the resolution establishes a procedure under which up to 50 per cent of the purchase price paid for the privatised assets will be held in escrow and made available by the government for necessary environmental investments.

Escrow fund payments will be based on an audit of environmental conditions at the date the deal is completed, and on performance of the remediation programme which is to be agreed between the purchaser and local and federal environmental officials.

The audit and remediation programme do not need to be finalised before completion of the transaction, although it is clearly in the best interests of the foreign investor to see that they are.

The privatisation commission is even talking about publishing criteria for foreign investors; these have long been applied quietly by investment bankers to the Czech Ministry of Privatisation. The move would improve the transparency of the process by giving foreign investors (and reviewing bureaucrats) a set of benchmarks around which to structure their proposals.

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The new resolution will

analyse the target company to determine whether it has a "dominant" market position, defined as holding more than 30 per cent of the market for the relevant product. If the company was judged to be dominant, COEC would analyse the potential for abuse of its position.

The COEC will seek to determine if "any detriment which may arise from limited compe-

tition will be outweighed by the economic benefits produced by the merger".

The factors that will be considered in this balancing test are still emerging. Initial rulings do indicate, however, that the COEC will consider access to foreign technology and markets that will prolong the life of the Czech target company as a public benefit that may compensate for the detriment caused by a dominant market position.

The COEC is currently promising preliminary opinions on transactions already in the pipeline within a few days. However, after the completion of a transaction the COEC reserves the right to re-evaluate the project and revoke its preliminary approval if it finds evidence that the foreign buyer intends to engage in predatory practices. Foreign investors would be well advised to plan against this contingency with appropriate contractual escape clauses.

A final warning for the foreign investor is the *comeris empere* principle. The National Property Fund, which is the selling entity in direct foreign investment privatisations, is taking a very tough stand on representations and warranties that will be made to foreign buyers.

The fund's standard form contract provides only for limited representations as to the organisation and standing of the target company, due to the authorisation and execution of the purchase contract; valid ownership title to, and absence of litigation affecting, the assets being privatised; and all necessary consents having been obtained.

Standard balance sheet and other representations should not be expected, although these have been granted in selected cases where they are contemplated in the privatisation project submitted for government approval.

The COEC will seek to determine if "any detriment which may arise from limited compe-

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London Galleries

Faced with a view

Tai-Shan Schierenberg, now 30, first came to general notice as winner of the National Portrait Gallery's John Player Portrait Award of 1989. That interest was sustained by the accession to the collections early this year of the portrait of the writer and barrister, John Mortimer, that had been commissioned as part of the Award. Now he is having his first substantial exhibition at a London gallery.

Such progress is not unusual, but it is deserved. The much-wanted revival of figure painting has all too often been hampered more in the breach than the observance, the enthusiasm of young artists for the idea of the figure out-running all sense of technique, analysis and understanding of the subject. Schierenberg is nothing if not enthusiastic, as much for the medium and stuff of oil paint and the act of painting itself as for his subject, and yet his natural expressionist ebullience is never out of hand. The figure is invariably well established in a coherent pictorial space, formally complete, an active presence and credible likeness, no matter how cursory the statement.

The point is only that such formal strength never springs entire from the artist's own head, but must depend on the essentially disinterested study of the external reality and truth, the truly creative imagination necessarily responsive and self-conscious. Schierenberg may leave off at the judicious moment – even a moment too soon, with a hand or face or foot as yet unresolved – but in all these paintings, the small landscape and portrait studies and the larger, ambitious conversation-pieces alike, it is clear that he sits in front of his chosen subject and immediately pre-occupies, and looks at it long and hard.

In any sensible world 26 year old Peter Coker should by now be enjoying the fruits of reputation and distinction won over



On show at Angela Flowers: 'Girl Friends', 1992, by Tai-Shan Schierenberg

a long career. Yet, such is the English penchant for putting artists into safe and certain categories that he is by no means so well known and supported as he deserves to be – a situation made all the more poignant by illness that has prevented him working these two years past.

Yes, he enjoyed an early success with the new social realism, the "kitchen sink" painting of the 1950s that has now given a room to itself in this year's hang at the Tate; and, yes, he was elected to the Royal Academy remarkably young. But that was more than 30 years ago, and the subsequent quasi-official support, the British Council tours abroad, the inclusion in the definitive exhibitions at home, the regular monitoring of the work and, in due course, perhaps, the retrospective at the Tate, have not been for him. The received opinion was always that, with the kitchen sink's moment, so too his had slipped away. A representative Coker 1950s butcher's shop was in the Tate, and that was that:

what more could he want? It only takes a sight of this current retrospective, small as it is in its London showing, and the barest consideration of those artists who have received consistent support across the years – the Hamiltons and Hockneys, the Longs and Denys and now the Hursts and Whitereads – to reveal such an attitude for the partial, self-serving, myopic nonsense it really is. Coker might not be an important artist in quite such terms as far as importance in the curator's eyes, but how often do we find that "importance" trotted out to mask manifest ineptitude or affectation? All the time. And the actual quality of the work? Ah, well, hmm, yes, quite.

Coker's essential subject is the landscape, wild and windswept in the Hebrides, hot and domestic in France, close and intimate in Epping Forest. To mark the transition from those old sides of beef of the 1950s to the trunks and clumps of trees that followed soon after, and so on to the later cliffs and fields

and hillsides, is to see no arbitrariness shift and readjustment, but a natural, ordered and consistent development. Those butchers' still-lifes, controversial in their time, seem now a kind of landscape, those trees still-life of sorts, and the landscapes down the years drawn with the firm hand and close attention that were the character of those quietly obsessive, monumental early images. We can only pray that Peter Coker is at work again before too long.

Stephen Finer, now with Bernard Jacobson, is having his fourth London show. He is a painter principally of the human head, worked for the most part on a fairly small scale. He works from the model, yet it would be misleading to describe his paintings as portraits, for any conventional likeness is shadowy, obscure and fleeting. Yet, in these densely overlaid and reworked surfaces, the marks buried and obliterated and insistently re-established, the sense of a real and particular human presence

William Packer

Tai-Shan Schierenberg: Angela Flowers at London Fields, 223 Richmond Road E8, until October 11. Peter Coker: Abbott Hall, Kendal, until October 25, & The Friends Room, Royal Academy, until October 11; the two shows combine for Carlisle and Ipswich. Stephen Finer: Bernard Jacobson, 14a Clifford Street W1, until October 3.

Opera in Innsbruck/Paul Griffiths

Don Chisciotte in Sierra Morena

Several of the most dashing recent recordings of baroque opera have come out of René Jacobs's summer performances in Innsbruck: Handel's *Florio* and *Giulio Cesare*, Monteverdi's *Poppea*, works by Cavalli and Cesti. This year Mr Jacobs was looking for something Spanish, since in Austria 1622 is being remembered for Spain's eastward rather than its westward expansion. Hence the happy choice of the considerably obscure Francesco Conti (1622-1723), since he was responsible for one of the earliest Don Quixote operas, *Don Chisciotte in Sierra Morena*.

This was one of two dozen stage works Conti wrote for the Viennese court. It was played at the 1718 carnival, and three years later reached Hamburg, with the recitations translated into German by Mattheson, who recorded that it was "impossible to forehear laughing even at a first reading through the score." Innsbruck's Landestheater production let the piece smile once more. Mr. Jacobs has a way of

brushing accompaniment under the voices, so that although the reproduction instruments of his Concerto Köln can sound brisk and characterful, the protection is fundamentally vocal and from the stage. Even with a number of big da capo arias and a playing time of close to four and a half hours, the opera fairly slipped along on the skid of pathos and humour which the libertines Apostolo Zeno and Pietro Paratici only conveyed from their source.

Of course, Conti helped. Unlike the contemporary operas of Handel, *Don Chisciotte* has a great variety of vocal types: alto castrati (here counter-tentors) for the rival swains Cardenio and Fernando, sopranos for the girls Dorotea and Lucinda, another male alto for the frenetic barber whose bowl Don Quixote takes for a magic helmet, a treble for a page, inevitably a buffo bass for Sancho Panza, and an aptly erratic tenor-baritone for Quixote himself.

There is also great variety of characterisation. Cardenio and Lucinda are

paragons of the sweetly amorous-lyrical, parted by the plot for most of the opera, they naturally have their centres in plaintive ardour and patience respectively, though even in their cases cliché is skipped by creative enthusiasm: the piece is full of melodic bravado, bursting towards the reckless simplicity of a later age of Italian opera. Fernando is an angrier sort (Jeffrey Gall was an impressive contrast with Derek Lee Magin as Cardenio). Dorotea is an interesting variant, in that much of her part is sung tongue-in-cheek as she leads Don Quixote a dance, pretending to be an exotic queen dispossessed by a giant: the role requires – and got from Jennifer Smith – grandeur for a first aria of minor-key siciliana lament, and bold-faced comic irony for much of the rest. Again there was a suitable contrast with the sustainably beautiful performance of Andrew Michael as Lucinda. Michael Schopper and Isabelle Poulenard romped through the vigorous duets for Sancho and a maid at the inn.

Dominique Visse, as the barber, added to his repertoire of high-register hysterics. Nicolas Rivenq kept up a wild thrust as Don Quixote, tottering on the edge of absurdity: it is hard to know whether it was just his performance that revealed so much Quixote-ism mad extravagance and absorbed self-pity in the part. Gerd Turc had the luckless task of representing normality in the person of Lope. Judith Vandevogel was his bright boy attendant.

Nobody was much helped by the production. Roland Topor's designs had adumbrated jokes on the wrong scale – like Quixote's costuming in sheets torn from romances, barely discernible even from the third row of the stalls. And the singers seemed to be moving and reacting without much guidance from the director, Jean-Louis Jacquin. But the musical distinction and energy were captivating, and the piece came up as something rather remarkable, well worth revival again before another 270 years have gone by.

Company performs from Thu to Sun. A programme of William Forsythe choreographies opens the Frankfurt Ballet season on Sep 26, and the opera season begins with Il barbiere di Siviglia on Sep 27 (236061).

ENGLISH THEATRE

Frankfurt's English Theatre at Kaiserstrasse 52 has a new production of Peter Nichols' comedy *Passion Play*, daily except Mon until Nov 7 (2423 1620).

LONDON

OPERA

Coliseum 19.30 Jonathan Miller's production of *Rigoletto*, with John Rawnsley (as Friar) and F. Pollini

plays *Beethoven*. Sun: Sinopoli

conducts Wagner (071-928 8800).

Thurs at Barbican: Moura

Lympany plays Beethoven's

Fourth Piano Concerto (071-638 8891).

Queen Elizabeth Hall 19.45

Andras Schiff, Heinz Holliger and

friends give the first in a series

of chamber music recitals entitled

Contrasts. Tonight's programme

features music by Berio, Bach,

Carter and Kurtág. Tomorrow:

Beethoven, Varèse and

Britten. Sat: Schubert, Holliger,

Mozart and Boulez (071-928 8800).

Parcels Room 20.00 Lionel Friend

directs Nash Ensemble in works

by Debussy, Dutilleux and

Turina. Thu: Nash Ensemble

performs works by Tippett,

Jonathan Harvey and Britten

(071-928 8800).

CONCERTS

Royal Festival Hall 19.30 Neville

Marriner conducts the Academy of

St Martin in the Fields in works

by Smetana, Dvorak and

Prokofiev.

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OPERA/HOUSE

Merce Cunningham Dance

Lucerne Festival/Andrew Clark

Les Six, street music and Sinopoli

Despite the woolly choice of "Europe" as its theme, Lucerne emerged from this year's festival with its reputation for resourceful programming intact. The Columbus anniversary was celebrated in two concerts – one pairing grandiose tributes to the explorer by the youthful Wagner and Honegger, the other devoted to Renaissance music and directed by Jordi Savall, who seems to be doing for early and classical Spanish music what Hogwood, Pinnock and others have done for Bach and Handel.

The other subsidiary theme was Les Six, three of whom – Honegger, Milhaud and Tailleferre – were born 100 years ago. The festival laid on an admirable series of lunch concerts to explore the chamber music, but the centrepiece was a surreal double bill in the city theatre – the Cocteau ballet *Les mariés de la tour Eiffel*, to which five members of Les Six contributed, and Poulenc's opera-bouffe *Les ménades de Thésée*.

The ballet describes the bizarre characters and events at a bourgeois wedding party at the Eiffel Tower. It may no longer shock audiences in the way Cocteau intended in 1921, and its structure and content are slight; but it adds up to a fast and mischievous entertainment, with an authentic Gallic levity deriving as much from Cocteau's spoken commentary as from the music. Aurié was the explosive overture, Tailleferre a cheeky "walk of the telegrams". Honegger's parody of a funeral march and Milhaud the raucous, pompous *ménades*.

There are ten short numbers in all, of which only Poulenc's charming "Bathing-girl of Trouville" is ever heard independently. As Ronald Crichton points out in an illuminating essay in the month's *Opera*, Les Six were bound more by personal friendship than by similar musical tastes – and yet this work, premièred a year after they were christened as a group, shows a distinct compatibility of style. It should be less of a rarity. Thorsten Kreisig's cho-

reography was fussy, but the conductor, Olaf Henzold, captured the wit and scintillating colour of the music.

The double-bill with *Les ménades* made sense on paper, but after the farcical goings-on of the ballet, the opera was an anti-climax. Something of greater contrast – perhaps *La côte humaine* – was needed, and the dialogue of Poulenc's domestic allegory, based on a play by Apollinaire, lost its spice in German translation. But the biggest handicap was the staging. Instead of trusting the natural comic irony of the piece, the producer Philipp Himmelman loaded each

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answer – at the end of a noisy, hectic and controversial week of eliminating rounds at selected sites around the city – was "yes, probably". But some awkward lessons were learned in the process. The competition, which had the laudable aim of breaking barriers between tourists, townsfolk and the snobby aura of the festival, gelled with the formal events like oil and water, and should in future have a separate slot in Lucerne's summer calendar. Given the bohemian egalitarianism of street musicians and the variety of skills they present, it seemed invidious to single out one group or individual for a big cash prize – especially when the winner turned out to be the daughter of one of the judges. Small wonder this left a bad taste.

Lucerne's visiting orchestras offered plenty of high-brow glamour but varying degrees of satisfaction. Claudio Abbado's rapturous *Daphnis et Chloé* with the Berlin Philharmonic, which I heard on the radio, was billed as complete but in fact was subjected to all sorts of inexplicable cuts. The St Petersburg Philharmonic (with Yuri Temirkanov) followed their glorious Tchaikovsky *Manfred* with the Musorgsky/Ravel Pictures from an *Exhibition*, which exposed weaknesses in the orchestra's brass section and proved how un-Russian this piece really is.

The Dresden Staatskapelle's golden-toned, echt-Straussian instrumental solos distinguished their performance of *Ein Heldenleben*, but their new chief conductor, Giuseppe Sinopoli, laid bare his lack of repertoire with a lumpy, shapeless Schumann Third Symphony. The old way of doing things was for a conductor to build his repertoire slowly and steadily, presenting his interpretations to an international public only when he had lived with the piece, and was properly inside it. Not so today: with Sinopoli and this great German orchestra, the recording contract came first, then the high-profile tours – and the mainstream repertoire is apparently digested somewhere along the way.

Eileen Hulse in 'Les Ménades de Thésée'

Theatre/Andrew St George

Anzacs over England

Death haunts the skies over Stroud, Gloucestershire at its most static. There work on the local estate, and feel the pain of war when one son is lost and another gassed in France. But it is the daughter, Annie (Miranda Pleasance, making her debut), in love with Australian airman Jeff (Richard S. Huggett of *Neighbours*) who encapsulates the tension between the hierarchy of the old world and the democracy of the new. She marries Jeff, and leaves when the Australians ship out in 1919.

Goodland finds "fair diners" humour in the meeting of Oz and Blighty; he tempers this by recounting the deaths of 35 airmen who crashed their Sopwith Camels in training. So far, the pace is slack, and the inset "revue" scenes, where the Aussies perform for the locals, should be cut down.

However, Pat Truman's direction gives scope to good performances in the Pope household, with Vivienne Moore as the mother offering sympathy or stow, and Owen John O'Mahony as the outraged father clutching his newspaper in crumpled disbelief.

Anzacs will shortly be recorded by BBC Radio, and should be sharper when cut. The question it tackles but never answers is about loyalty: why did so many men volunteer to fight and die for a far-off country? By the end of the war, Australian casualties numbered over a quarter of a million, at two thirds of those who volunteered, the highest proportion among combatants. They deserve this tribute.

Anzacs Over England, Swan Theatre, Worcester until October 3 (0905 27322)

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Tuesday September 15 1992

Bloodied, but not too bowed

THE BUNDES BANK has given virtually the smallest possible interest rate cut in return for devaluation of the lira. Unless soon followed by more, such a cut is unlikely to make the fate of other participants in the ERM significantly easier. Nor is it likely to do much for the German economy. Yet this cut is being hailed, and condemned, as a sign of rot in the Bundesbank. For that reason, further German interest rate cuts are in the absence of another foreign exchange crisis, likely to be postponed. The quarter-point cut in the Lombard rate and half-point cut in the discount rate may be the last for a long time.

Those who do view the bargain as showing that the Bundesbank is crumbling are right only up to a point. The Bundesbank has re-established a principle it has always believed in – that the ERM allows for exchange rate adjustment. Only the lira was shaken off this time, but the game is not yet over, however many times British officials may state that the chances of a sterling devaluation are zero.

In any case, the notion that the Bundesbank is entirely independent of politics is a fantasy. A political decision put the D-Mark in the European Monetary System; political pressure forced the Bundesbank to cut the discount rate to its all time low of 2% per cent soon after the stock market collapse of October 1987; politicians decided the terms of German monetary union and may, depending on the fate of the Maastricht treaty, consign the D-Mark to oblivion.

Appearances matter

Exchange rate policy is the Achilles heel of an independent central bank. That has always been true for the Bundesbank, just as it would be true for a European central bank. Anything, certainly a small interest rate cut, had to be better than continuation of intervention which had already cost the Bundesbank DM24bn (£2.5bn) last week. As the Bundesbank's chief economist, Mr Ottmar Issing, remarked yesterday, "you can forget all about things like M3 (broad money); if a situation such as we had last week were to continue, we are much better off now than we were last Thursday."

Domestic economic circumstances could also be called in aid.

Regulating the monopolies

SIR BRYAN Carsberg, the new director general of Fair Trading, has proposed a more radical approach for UK competition policy. The former telecommunications regulator believes that lessons could be learnt from the regulation of privatised utilities. These lessons, however, be more limited than Sir Bryan suggests, given the range of instruments already available to deal with anti-competitive behaviour.

For the UK regulatory regime has already made good use of the flexibility it enjoys for dealing with simple or complex monopolies. In most cases, the aim is to promote competition, the consumer's best guarantee against excessive prices and poor quality goods and services. Anti-competitive practices can be forbidden, with the Office of Fair Trading (OFT) enforcing undertakings. The Monopolies and Mergers Commission (MMC) can recommend divestment by a company under investigation to improve competition. Occasionally, as in the investigation of the brewers, the MMC report may propose restructuring the industry, though rarely on the scale of anti-trust actions in the US, where large companies have been divided into several smaller companies.

These remedies often work slowly, especially where the aim is to reduce barriers to entry – attracting new competitors can take time. It is this which has led Sir Bryan to ponder whether lessons could be learnt from the experience of regulating the newly privatised utilities, where regulators have taken an increasingly tough stance to curb abuses of monopoly power.

Past successes

For example, British Telecom was until privatisation a monopolist in the provision of UK telephone services. Rather than go for divestment, Sir Bryan as regulator forced BT to open up its network to competitors such as Mercury. He also required the company to disaggregate its various businesses to eliminate cross-subsidy. Similar approaches have been taken by other regulators. British Gas has had to make it easier for independent suppliers to sell gas, for example. And the electricity industry was restructured before

Mr Helmut Schlesinger, the Bundesbank's doughty president, insists that the Germany economy is not in recession, but it is far from blooming. The collapse of the east German economy makes prolonged stagnation unacceptable.

Yet even if there are good reasons for these decisions, appearances matter too. The Bundesbank appears to have bowed to political pressure and not even from domestic politicians, but from France, the UK and Italy. This denied image will make the Bundesbank even more determined to pursue the credibility it retains.

Question of time

It may take either another currency crisis or a steep decline in German monetary growth to persuade the Bundesbank to lower interest rates again. German interest rates may have passed their peak. But they are likely to be cut slowly, leaving German short term interest rates close to their all time highs for quite a while.

The question now is for how long the ERM will stay out of the crisis zone. Sterling managed a 2½ percentage point gain on the day, helped by the soaring dollar, but it is in the firing line. Ultimately, its fate will be decided by whether the present party seems compatible with recovery. If the prospect remains remote, a downward spiral of credibility could force a larger yield gap over the D-Mark, further undermining chances of recovery.

More imminent still is the French referendum. A No vote is bound to encourage speculators, especially after the huge gains that have been made in speculation against the lira. But a marginal Yes might not settle the matter. The prospect of a long, doubtful and controversial journey to economic and monetary union would hardly ensure the stability of the ERM.

The Bundesbank has been seen to blink. That is bound to be costly to its credibility. But the Bundesbank will not pay the price alone. Other Europeans will pay too, as it struggles to restore what has been weakened in recent years – its reputation for preserving the value of German money. Governments have also blinked. With the ERM adjustable once more, lira devaluation is not the end of the excitement in the European currency markets.

privatisation to create competition in generation between existing generators and to encourage new entrants.

Sir Bryan particularly highlights the lessons which can be learnt from the experience of price capping the utilities. Their price rises are limited to a percentage each year related to the retail price index (RPI). Thus from next year, BT is to be limited to RPI minus 7.5 per cent which, with inflation at present rates, means price cuts. Water companies have more complex formulae which allow for real price increases, with the scale related to the amount of investment required by each company to meet environmental and other objectives. Where it was difficult to encourage competition, such controls offered an alternative option to hold down prices and force up efficiency for the consumer's benefit.

Last resort

Regulation of prices by the competition authorities is nothing new, however. As Sir Bryan points out, seven cases referred to the MMC since 1970 have led to direct price controls, including the price cuts on tranquillisers in 1973 and on contraceptive sheaths in 1975. More recently, Swedish Match was required to freeze match prices for two years, in addition to giving other undertakings.

Nonetheless such remedies should be used only when there is very little hope of encouraging competition, not least because they may make it harder for competitors to enter the market. Sir Bryan's success in capping BT prices has undoubtedly been welcomed by the consumer. But lower prices make it harder to tempt new entrants into the market, especially when they must compete against BT with all the economies of scale which the former nationalised company enjoys.

Sir Bryan is to be commended for highlighting the innovative approach taken by the utility regulators. But the regulators have not yet succeeded in breaking the effective monopolies of the former nationalised industries. The promotion of competition is the most powerful weapon at his disposal at the OFT, and there is little so far to learn on this from the experience of the utilities.

A small step towards better European co-operation

Helping others help themselves

Lionel Barber and David Marsh on the weekend's currency manoeuvres

The European Community's exercise in monetary crisis management clears up some of the short-term obstacles on the road to economic and monetary union (Emu). But, underlined by the nervous mood on the foreign exchanges after yesterday's Bundesbank interest rate cuts, the breathing space may prove limited.

In acting decisively to arrange the European currency realignment, the EC has tried to surmount the present period of doubt over its political and economic objectives. Germany took the initiative, with Chancellor Helmut Kohl personally involved in crucial talks with the Bundesbank last Friday. The outcome of the French referendum on the Maastricht treaty – and the course of European co-operation – remains on a knife-edge.

The adjustment in the European Monetary System (EMS) was an attempt to show that European governments can still co-operate – and not drift apart in the face of political and economic instability in both halves of the continent.

By explicitly forcing the Bundesbank to look beyond its borders in framing monetary policies, Europe's finance ministers have chalked up a sizeable victory – and have also set an intriguing precedent for the development of Emu.

Europe's economy is weathering a phase of slow growth, high interest rates and mounting unemployment, adding up to one of the most exacting challenges for economic management since 1945. Yet governments are trying to win support for a treaty on political and monetary union which seems likely to impose further economic sacrifices in pursuit of the Maastricht goal of irreversibly fixed exchange rates by the end of 1999.

First, now that the most pressing source of EMS instability – the weakness of the lira – has been defused, there is a risk that speculative pressure will turn to other vulnerable currencies.

Sterling, still jittery yesterday, is the most likely focus of attack, followed by the escudo and peseta. These are all currencies which have become full members of the EMS during the past three years. They benefit from wider 6 per cent fluctuation margins and have not yet gained the policymaking credibility accruing to the members of the system's "hard core".

The Bundesbank has made little secret of its feeling that sterling could be a devaluation candidate. One "hard core" European central banker argued yesterday that the realignment has done little to correct basic EMS disequilibrium. Britain, he said, might still have to take tough interest rate action to win the trust of the markets. "The Germans have gone out of their way to help others. But now the others must help themselves."

Second, doubts over whether the EC can generate the economic growth necessary to forge a political consensus for Emu remain as strong as ever. The 1% point cut in German interest rates, by itself, represents no more than a weak ray of light in Europe's gloom.

All EC governments are trapped in an economic vicious circle under which faltering growth drives up budget deficits through reducing tax revenues and increasing social security outlays. The strict budget deficit targets laid down at the Maastricht summit as conditions for Emu membership looked difficult to meet nine months ago for most EC countries. Now, with EC growth this year forecast by the Commission at only 1% per cent, fulfilling the targets will be impossible unless the EC rediscovers 3 per cent growth.

Significantly, most European governments and central banks were taking a highly cautious line yesterday following the Bundesbank's

point in the Bundesbank's internationally significant Lombard rate underlined the grudging nature of its response. Mr Hans Tietmeyer, the Bundesbank vice-president, strained credibility at the Bundesbank's press conference yesterday by insisting that the bank's move was a sovereign decision. More important, German financial markets are now convinced that further Bundesbank rate cuts will be in store in coming months.

As the debate intensified yesterday on the reasons for the Bundesbank's *volte face*, the foreign exchange market was struggling to make up its mind about the longer-term impact of the move. Four principal questions arise, both on the immediate future of the EMS, and on the prospects for Emu.

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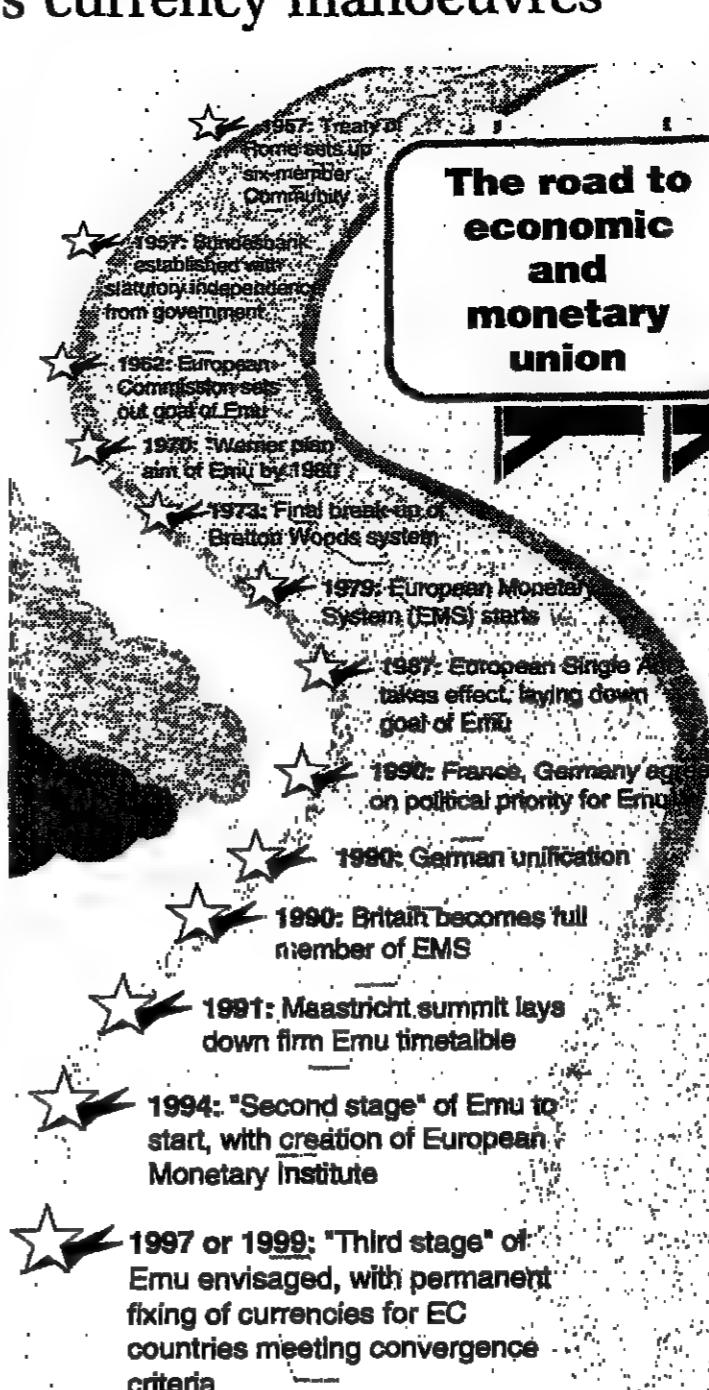
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interest rate reduction. Dashing expectations that the Bank of France would lower rates this week to rally support for a Yes vote, Mr Michel Sapin, the French finance minister, made clear that any credit easing would have to wait until after the referendum.

Third, even assuming France approves the Maastricht treaty, considerable hurdles remain along the Emu path. The imbroglio caused by Denmark's rejection of the treaty in June still has to be solved. In addition, during the period before the target date of 1997-99 for the final stage of Emu, considerable tensions are likely over interpretation of the Maastricht criteria for economic

performance, according to a European ambassador in Brussels.

This official predicts aggressive German insistence that there is no "judge" on convergence. This process could lead to Italy, as well as other countries outside the "hard core", being left out. Inevitably, this creates the risk not simply that European integration will proceed at two speeds, Europe itself could divide between a prosperous north and a poorer south.

Fourth, the spectacle of the Bundesbank being subjected to overt political arm-twisting could have an important impact on the German debate over the Maastricht treaty. Chancellor Kohl has declared him-

self ready to abandon the D-Mark in return for European union. But the strains of unification have made the public wary about ceding control over the currency which has served as the bedrock of post-war stability.

Mr Kohl has insisted that the planned single European currency must be run by a European central bank as independent as the Bundesbank. President François Mitterrand outlined a contrasting view 12 days ago, by affirming that the European central bank would execute policies laid down by European governments, not the independent "technicians" on its council.

The weekend manoeuvrings, heavily criticised by many commentators in Germany yesterday, are likely to heighten fears that politicians will run the bank – and that German voters will be swapping the D-Mark for inflationary "Esperanto" money.

These concerns are bound to influence the conditions likely to be applied by the German parliament to the treaty as part of the ratification process later this year.

Already, the two German chambers appear likely to demand a right of approval for the final stage of Emu before exchange rates can be finally fixed – a condition which could torpedo the Emu timetable.

In the financial markets, timing is everything. This axiom takes on particular significance when applied to a process as fraught with complications as the march towards Emu. The weekend move came at a crucial time to influence the French vote – but it could also misfire.

One risk is that the realignment did not go far enough. Critics on the financial markets yesterday argued that the weekend deal will probably leave nobody happy. The Bundesbank, they argue, has lost domestic credibility, while the interest rate cut will not be sufficient to restore European growth.

German officials have hinted that the Bundesbank could have decided a greater rate cut if more countries had devalued. But the insistence of France and, above all, Britain, to keep their currencies unchanged against the D-Mark made this impossible. Europe missed the opportunity for a much further-reaching realignment which would have provided the growth needed to fulfil the Maastricht targets," said a London currency analyst.

The currency pact may indeed vindicate Mr Mitterrand's decision to call a referendum. But officials in Brussels, and in chancelleries around Europe, yesterday were still highly cautious about predicting which way the French would vote.

If the result is Yes, the governments and central banks which stage-managed the weekend changes will congratulate themselves on a coup which tipped the scales in favour of European union.

If the French reject the treaty, the Emu timetable will be dead – but Europe will still face the challenge of managing an exchange rate system prone to disorder. That system is at present effectively run by the Bundesbank – a position which Germany itself concedes is politically untenable.

Finding a form of monetary power-sharing between the Bundesbank and the rest of Europe will remain a central preoccupation, whatever happens on Sunday. The currency accord, for all its imperfections, could provide a glimpse of how Europe could struggle towards that difficult goal.

Joe Rogaly

What makes Paddy run

When there is no obvious difference between parties, voters are moved by the personalities of the politicians who lead them. That at least is the theory. It is the great hope of the Liberal Democrats. Their leader knows how to get his name in the papers. Yes, I refer to Mr Paddy Ashdown. The Liberal Democrats would not have attracted nearly a fifth of the vote in April without him. He is the nearest thing contemporary British politics has to a character, a bit of a card, a likely lad. He obliges us to watch him, if only out of the corner of an eye. He has little choice. If he were to vanish, his party, which he hauled up from nowhere when he became leader, might vanish too.

Much the same was said about most of his predecessors. Lord Grimond had an attractive, non-nonsense appearance, although it did not do the Liberals much good. We will pass over Mr Jeremy Thorpe. Sir David Steel understood how to make himself well-known. So did Lord Owen. The latter pair makes my point. Their unwillingness to share the limelight was a principal cause of their failure to capitalise on their capture of it. As the Green party discovered last week, small parties cannot hope to prosper without leaders who can attract attention by the force of their individuality.

You may say that this has always been true, but today it matters more than ever. The three national parties in Britain all favour broadly the same economic strategies. They support membership of the European Community and, if it ever comes into being, the European monetary union. All stand by the party of the pound selected by Mr John Major when Britain joined the exchange rate mechanism in Octo-

ber 1990. Just at the moment all are uttering similar platitudes in response to the weekend devaluation of the lira and yesterday's reduction in the Lombard rate.

Thus the stage has been left empty, and Mr Ashdown has characteristically seized the opportunity to prance about on it. His is an act that depends upon energy. He is like the music-hall performer who never stops buzzing. He sings, dances, plays musical instruments, turns cartwheels, juggles, tells jokes, performs magic tricks. During the summer he captured the headlines, over Bosnia, the recall of parliament, the state of the economy and much else. Over the next few months he will make forays into city centres and elsewhere, to live a few days at a time with "ordinary people". No press, no photo-opportunities, say – but we all know that the experience will become part of his curriculum vitae. He will be able to speak of Sarajevo and Srebrenica with "direct knowledge".

What he cannot bear to do is what he knows he must: sit and wait for Mr Smith. When Labour is ready it will be time to establish whether there is at last to be a pre-election Lib-Lab pact, or whether the two opposition parties will, once again, knock one another out. What is meant by "ready" is the subject of constant debate behind the scenes in Harrogate. At the least Mr Smith is expected to favour proportional representation for election to the Commons; at the most joint positions on a wide range of policies would be demanded. Alternatively, Labour might start, albeit slowly, to fade away. The Liberal Democratic viewpoint is that there is still all to play for.

Thus all Mr Ashdown wants this week is for his party to put itself in a state of grace, under an unfettered leader, so that he may take such chances as crop up. He will have that. It is what makes him run so hard.

Which party should the voters pick? The personality of the prime minister must have had a great deal to do with his election victory in April. The electorate rather likes the straightforward, unassuming Mr Major. He may be a raving fanatic about the exchange rate, but it hardly shows. The new leader of the Labour party, Mr John Smith, appears to have taken a vow of silence. We must give him time in which to work himself into his job – perhaps until the party conference at the end of the month or, possibly, until next year's conference. He will have to do something about Mr Brian Gould and other dissidents within his ranks, but the answer to the big question – what on earth is Labour for? – is not one

relative sales contract within

Call for fresh appraisal of Maastricht treaty

PERSONAL VIEW

Ratify, then modify

By Carlo De Benedetti



De Benedetti: calls for greater flexibility in treaty

As an entrepreneur who has always sought to contribute to the construction of an integrated, competitive Europe, I am alarmed by the current crisis in the process of European unification.

I am chairman of an industrial group that has always taken a European and international perspective in conducting its activities. I have made great efforts to help remove the many barriers that divide European markets and create a truly integrated European system.

The process of Europe's integration now seems to be grinding to a halt. The enthusiasm generated by the drive for European economic and monetary union, the fall of the Berlin wall and the opening-up of east European markets has been overtaken by a wave of Euro-pessimism.

The change in mood is reflected in Denmark's rejection of the Maastricht treaty, the uncertainty over the French referendum on Sunday and in the growing conflicts of interest among Community members, which have been aggravated by the recession in many economies.

A Yes vote in the French referendum could restore faith in the process of integration. If I were a Frenchman I would vote Yes. A truly European entity, supported by a common political structure, is essential if the Community's member states are to play an active role in today's increasingly unstable world.

A No for Maastricht would be an enormous setback. But we have to make Europe possible. This means facing the fact that some of the conditions of the treaty actually make Europe impossible.

No one would deny that significant changes have taken place in the economic and political climate this year, not just in Europe, but throughout the world. The guidelines and timetables for monetary and economic convergence laid down by the treaty have to be adjusted accordingly, or the whole edifice could collapse.

First the world economic situation has changed. For years, our main worries were recession or an inflationary explosion. But the problems have changed. With the prices of property, shares and many industrial goods falling, deflation - not inflation - has become the real enemy, and this could lead Europe into depression.

The US has thus been applying deflationary monetary and foreign currency policies for months. But recovery is still a long way off. US deflation has deep economic and social roots, and will be difficult to eradicate because the range of

cures available is limited. Expansionary fiscal policies are not an option because the budget deficit is at an all-time high.

A second big change is in Germany. The costs of reunification are rising daily. The 1990-91 consumer boom awakened fears of inflation, something that has always terrified the German authorities. They responded in July by raising the discount rate, a move designed to brake internal demand, attract foreign capital and unload some of the costs of reunification on to Germany's neighbours.

Now there are many distinctions available in interest rates which the Bundesbank made yesterday is far from consistent with the deflationary environment which the world currently faces and far from consistent with the recessionary fiscal policies which have plagued the Italian economy for years. While there is no doubt that Italy is the weakest link in the EMS chain, the high level of real interest rates, imposed as a consequence of German unification, will soon become unsustainable for other European countries as well.

The small cut in interest rates which the Bundesbank made yesterday is far from consistent with the deflationary environment which the world currently faces and far from consistent with the recessionary fiscal policies which have plagued the Italian economy for years. While there is no doubt that Italy is the weakest link in the EMS chain, the high level of real interest rates, imposed as a consequence of German unification, will soon become unsustainable for other European countries as well.

The rise in European tensions in the wake of the dollar's recent slide shows that the process of European monetary integration must be part of a wider co-operation agreement between the Community and the US. In the past few months, co-operation on monetary policy has been nearly non-existent.

Finally, the process of European integration cannot ignore the problems of the east. The issue here is not so much to negotiate the future EC membership of the east European countries as to take decisive action to open up western markets to eastern goods.

This step is bound to create difficulties, but it is necessary to slow down immigration from the east and break away from the narrow political vision of European Union as an élite club for top performers.

For all these reasons, it is my belief that while ratification of the Maastricht treaty by all the EC countries is necessary, a review of certain conditions for union is equally vital. We must approve Maastricht if we want to modify it.

Ratification and modification are not incompatible; on the contrary, they are two essential steps for the relaunching of Europe.

The author is chairman of Offitell

The guidelines for convergence laid down by the treaty have to be adjusted, or the whole edifice could collapse

guished voices, both inside and outside Germany, beginning to realise that the country has gone into recession, that deflation and depression are the real dangers, and that the rigid monetarist approach of the Bundesbank has actually harmed the German economy.

Weak international economic conditions and the slide of the dollar - with its impact on European competitiveness - have made German policy an unbearable burden for the rest of Europe. An urgent review of German and European monetary policy is therefore necessary. The immediate goal is to avoid depression, not to bring about a quick return to growth.

This weekend's realignment of the European Monetary System which is quickly spreading throughout Europe, including Germany.

A third significant change in the economic climate has been the dramatic situation in eastern Europe. The slowdown in growth in the west has clearly amplified the crisis in the east. Shrinking markets for eastern exports have slowed the flow of western capital (direct investments and loans) to the east, and have exacerbated political disruption, particularly in the Balkans.

We cannot ignore these changes. Ratification of the Maastricht treaty is vital to keep the idea of European union alive and prevent a return to national chauvinism.

But adjustments reflecting the changes in the international

climate must be made if the treaty is to become an instrument for growth and a project which the governments and citizens of Europe can regard as their own.

The treaty was geared to an economic growth scenario which assumed the persistent threat of inflation and a strong dollar. This is why its guidelines for convergence basically require a deflationary approach.

Last year the treaty, as it stands, offered an effective means for stimulating growth. In the current conditions, it has become a perverse mechanism pushing Europe towards depression. The convergence guidelines have to be rethought: they must provide greater flexibility and cater for national differences. A drastic deflationary policy in one country must not be allowed to limit growth in the whole of Europe.

The launch of the treaty's second phase, which would create the European Monetary Institute - a forerunner of the European Central Bank - should be brought forward.

The institute should also be given greater powers to monitor monetary harmonisation and review convergence targets.

Finding the technical solutions to make convergence a more flexible process is a job for the experts. But the solutions they define should not underestimate the difficulties of reviving the European economies nor cause an uncontrollable acceleration in current deflationary trends.

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Essential guide to Euro-events

Why mortgage rates and pasta might be cheaper

Peter Martin answers questions about the impact on the UK of Italy's devaluation and Germany's interest rate cut

Q. What does this mean for my mortgage?

A. UK interest rates are now less likely to go up than they were before the weekend. But only a little bit less likely; sterling still remains weak and interest rates have to be kept up to protect it. The chances of a UK interest-rate cut in the immediate future do not look high - but the next move in mortgage rates is now more likely to be down rather than up, and there's an outside chance that they'll be lower before Christmas.

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lower than it was before people vote in France on Sunday?

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position in the lira will have made a profit. That depends on how you think Britain would be better off outside the ERM. A No vote would make it much harder for the UK to maintain its current ERM exchange rates, and perhaps for the system to survive in its current form. A Yes vote would make the ERM more robust, and increase the likelihood of eventual European monetary union. It might also ease short-term pressure on the pound. In the end, though, politics are what count. If you want a closer, Maastricht-style European union, hope France says Yes; if you want to go slower, and are prepared to take the risk of a breakdown of the EC, hope for a No vote.

If the French vote No, will any of the weekend's events matter? Politics aside, that depends on how you think Britain would be better off outside the ERM. A No vote would make it much harder for the UK to maintain its current ERM exchange rates, and perhaps for the system to survive in its current form. A Yes vote would make the ERM more robust, and increase the likelihood of eventual European monetary union. It might also ease short-term pressure on the pound. In the end, though, politics are what count. If you want a closer, Maastricht-style European union, hope France says Yes; if you want to go slower, and are prepared to take the risk of a breakdown of the EC, hope for a No vote.

Because Italy's inflation rate has been higher than that of its neighbours, it's been a very expensive place for holidays. It's now a bit less costly - but economists reckon a 10 per cent devaluation would have been needed to bring Italy's costs in line with those of other European countries. That means it's half as over-expensive as it was. The cost of Italian goods in British shops will depend on the pricing policies adopted by the people who make and import them. Over time, they'll probably be less expensive than they might otherwise have been.

Do events mean that the £2 pound was with us as fleetingly as the English summer?

The pound/dollar exchange rate is now the result of two calculations: the pound/D-Mark rate and the D-Mark/dollar rate. In the first of these, the pound has strengthened very slightly. In the second, the D-Mark has weakened noticeably, and will drop a lot more once the markets think German interest rates are really moving down a long way. Given the Bundesbank's view of the world, that will not happen for some time. The £2 pound may have gone for the moment; but the bargain-base-time dollar is with us for some time to come.

Was this a success for the ERM or a failure?

It was a success for the way the ERM was originally supposed to operate - a relatively smooth downward adjustment of a currency under pressure. It was a failure for the recent view of the ERM as a sort of dress rehearsal for monetary union, in which parity changes were to be avoided at all costs.

Anyone who had a short

ter? Even if the French vote Yes, will we be back in the same situation in a few weeks?

If France votes No, this weekend's excitement won't help much. The lira will again come under pressure, and so will other weaker currencies such as sterling. Ministers and central bankers will find themselves back in the same weekend crisis. If France votes Yes, the underlying problems won't go away. Italy will still have to cope with its budget deficit; the UK will still have to find a way out of recession; the tension between the dollar and the D-Mark will still spill over into the ERM. And everyone will be waiting for the next German interest rate move.

Who has made money out of recent events?

Everyone who had a short

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Encouraging the smart insiders and a lottery

From Mr Edmond Jackson

Sir, If legislation is to ban private meetings between investors and companies, information flow to the market will slow down and pricing inaccuracies will result.

Real inside information is then very valuable and tempting to set upon. As consumers, directors should not deal in their companies' shares at all, under the Treasury's logic.

Insider trading is perhaps best curbed by improving transparency for analysts and investors, to reflect business value consistently in market price. Shareholders also need regular access to directors to evaluate their progress, if the Cadbury code is to be enacted.

The Treasury's proposals will have the perverse effect of encouraging smart insiders who can cover their tracks. Markets will become less price-efficient, hopes for corporate accountability and governance dashed, the honest majority worse off.

And why should capitalist acts between consenting adults in private be banned in a free society? How this government has changed its spots since associating with liberal marketers in its earlier terms!

Edmond Jackson,
Cherries,
Bullers Dene Road,
Waddington,
Surrey CR3 7HH

From Jasmin Roads

Sir, Flushed with the success of funding part of the public sector borrowing requirement and supporting sterling in one manoeuvre the Treasury has dreamt up another two birds,

one stone trick: the new lottery tickets. Jasmin Roads,
138 Plumhill road,
London N4 2ED

Floating exchange rates only rational economic choice

From Mr Christopher Whalen

Sir, Samuel Brittan is correct ("Economic Viewpoint", September 10) when he notes that politicians may, at their discretion, choose fixed rather than floating exchange rate regimes.

But the fact of political expediency does not mean that fixed rates are a valid or advisable choice.

What will be so different in the economy in a few months when the billions of Ecu borrowed to finance the sterling support effort are exhausted? His justification of this silly exercise, namely the short-term goal of the French referendum and the longer-term hope for lower interest rates in Germany, begs the real argument unless and until UK residents are willing to live and work and export like Germans, there is no hope of pegging sterling (not the lira and franc) to the D-Mark.

Floating exchange rates are the only rational choice eco-

nomic because they reflect the perception of a given country by investors and markets.

In the case of the UK, the view remains negative because Britain is not competitive commercially. And floating rates are the only moral choice in a political sense because they allow a nation's citizens fairly to judge the policies of the current government.

Efforts to support "pegged" currencies are by their very nature anti-democratic, particularly in the case of situations such as Russia and Mexico where the International Monetary Fund and G7 are busily supporting artificial exchange rates - and the government's attack on them is not enough of it.

My point is that the route out of the problem is not devolution; rather it is holding down pay rises while investing in the supply side, notably the transport infrastructure and training. My impression is that the TUC buys the second part of the prescription. In my speech I was hoping to sell it the first.

Howard Davies,
director-general,
Confederation of British Industry

One Whitehall Place,
1217 K Street, NW,
Washington, DC, US

INTERNATIONAL COMPANIES AND FINANCE

Hoogovens to cut 15% of jobs at Dutch steel plant

By Ronald van de Krol
In Amsterdam

HOOGOVENS, the Dutch steel and aluminium group, is to shed more than 15 per cent of the workforce at its main steel production site in the Netherlands as part of a F1300m (\$182m) cost-cutting programme to return the company to profitability in 1993.

The measures would produce "several hundred million guilders" of extraordinary charges in Hoogovens's 1992 accounts but the company said it should bring about a return to profitability next year.

By the end of next year, Hoogovens expected to have cut 2,300 jobs at its plant in IJmuiden on the Dutch North Sea coast, reducing the integrated steel plant's overall workforce to 11,500 people. The job cuts would be concentrated in non-production departments.

Approximately 1,000 of the

job losses will represent compulsory redundancies, the first in Hoogovens's 74-year history. Yesterday's announcement comes on top of an existing streamlining operation aimed at cutting 2,500 jobs from its total workforce of 36,875 through natural wastage of SKr302m.

Hoogovens, the seventh-largest steel producer in Europe, blamed the measures on the drop in prices for steel products, which it attributed to the low dollar, increased steel capacity in western Europe, higher imports from eastern Europe and indirect government aid to competitor steel works in other parts of Europe.

Sales of eastern European steel in western Europe are often the result of dumping prices, it said. Hoogovens posted a F149m net loss in the first half of 1992 and has predicted that results in the second half would be considerably worse.

Stena Line predicts return to the black

By Sara Webb in Stockholm

STENA LINE, the Swedish shipping and ferry group, said it was on course to make a profit of more than SKr250m (\$48.8m) in 1992, marking a recovery from last year's loss of SKr302m.

Mr Bo Lerenius, chief executive of Stena Line, said he expected profits (after net financial items) to exceed SKr250m "provided the economic situation does not worsen still further during the autumn".

Stena Line swung to a loss of SKr302m in 1991 partly due to losses incurred by Sealink, its UK ferry operations.

The group was forced to carry out a number of cost-cutting measures which included a pay freeze for Sealink employees in 1992 and the closure of its Folkestone-Boulogne ferry route.

Stena Line said the recovery in profits was due to the combination of the cost-cutting measures in its international operations and "the continued increase in volume so far this year for the entire group". The number of passengers travelling on Stena Line ferries has risen by 2 per cent during the first eight months of this year, and freight volume has increased by 8 per cent.

Mr Lerenius argues that, bar-

Partners reap the fruits of reconciliation

John Thornhill on the uneasy marriage that created Europe's largest packaging group

The brief history of CarnaudMetalbox, the Franco-British packaging company, has always been presented in terms of matrimonial analogies.

So it was three years ago when, after a brief flirtation, a marriage was announced between the packaging interests of Metal Box of the UK and Carnaud of France creating the biggest packaging company in Europe.

The doting parents claimed it was the fashion to get hitched in the rapidly-maturing European market place and held out great promise for the merger. But, sadly, it was not long before the two partners indulged in a series of tiffs culminating in November's departure of Mr Jean-Marie Descarpentries, the chief executive, amid much national acrimony.

Mr Jürgen Hintz, a neutral German-American reared in the Procter & Gamble marketing school, was called upon to become chief executive. And less than a year into his job, the dismally open Mr Hintz appears to be making sense of the alliance having encouraged the two sides to make up.

The early fruits of the reconciliation became apparent last week when CarnaudMetalbox, initially known as CMB Packaging, posted a reassuring 9 per cent increase in interim net earnings to FF1549m (\$118m) with operating margins widening from 9.1 per cent to 9.8 per cent.

Mr Hintz argues that, bar-

ring unforeseen economic difficulties, the company will continue its progress this year and finally begin to fulfil its early dreams.

Mr Philippe Lubineau, analyst at stockbrokers BZW Puget Mahe in Paris, believes he may be right and has upgraded his profits forecast to FF171m for the full year representing a 17 per cent improvement.

CarnaudMetalbox has been one of the very few companies providing good news recently. But you have to pay for it in the price," he says, observing that the company stands on a multiple of 14 times next year's forecast earnings - a 30 per cent premium to the French market.

In spite of the progress that has been made, Mr Hintz argues that further financial benefits can still be squeezed from the integration process.

"Frankly the company did not work very well when we merged. But the logic of the merger was absolutely right. Business is globalising faster in reality than perception," he says.

Although the media emphasised the national frictions between the two partners, Mr Hintz argues that greater problems stemmed from organisational differences. "On the one hand there was MB which was over-centralised in the classic British fashion. On the other, was the wild-eyed naively decentralised Carnaud. The difference in corporate culture was bigger than that between



Jürgen Hintz: barring unforeseen economic difficulties, the company will continue its progress this year

Frenchmen and Englishmen."

And have to go through books of figures on a Friday night with a well-chewed pencil," Mr Hintz says exasperatedly.

Quick to demonstrate his impartiality, he also points out deficiencies in MB's former operations which spent 90 per cent of their research and development budget on plastics while 90 per cent of their business was still in metals.

CarnaudMetalbox highlights three strategic imperatives to strengthen its European steel business through reaping fur-

ther economies of scale; to bolster its position in the beverage cans and plastics markets; and to grow its health and beauty business, making products such as lipsticks, compacts and mascara cases - by acquisition, if necessary.

The company believes it has great scope for geographical expansion. Although western Europe accounts for 85 per cent of sales, CarnaudMetalbox believes it can increase sales in Turkey, Asia, and particularly in eastern Europe.

However, the main worry niggling investors is the long-term uncertainty concerning its shareholding arrangements with MB-Chardon, the company's original parents, and the French investment group CGIP, still retaining their 25.5 per cent stakes.

Analysts suggest it would come as little surprise if CGIP were to increase its holding while MB-Chardon reduced its exposure confirming the increasingly fractious tilt in the company's outlook.

Any such move is likely to wait until the grim economic outlook desists. In the meantime, Mr Hintz will just keep on trying to improve the company's operational performance.

"I think the packaging industry is in a state of metamorphosis. In management and technological terms this industry feels to me like the 1970s. It is going to become a lot more sophisticated. We just have to hunker down and do the professional thing," he says.

Greek tourist group sells leisure facilities

By Kerin Hope in Athens

EOT, the Greek state tourist organisation, is to sell a hotel chain, six marinas and three casinos in the first large disposal of state-owned assets to be made in the government's two-year-old privatisation programme.

Other Eot properties to be offered for sale will include two golf courses, on the islands of Corfu and Rhodes, and a dozen campsites around Greece.

The Xenia hotel chain, with 50 properties, is to be broken up so that larger units in leading resort areas can be sold in a package with other assets, such as a marina, a privatisation official said.

The government has appointed Arthur Andersen, the international accountants, to carry out a review of Eot's assets and plan a strategy for

their disposal. Most of the hotels, leased to private Greek operators, run at a loss and are badly in need of refurbishment.

The chain's overall debts amount to Dr400m (\$2.2m). Eot holds a monopoly on marina and casino operations in Greece. Both are profitable, but considerable investment would be required to bring them up to the standards of similar facilities in the western Mediterranean, according to Eot officials.

At a later stage, another eight marinas still under construction will be offered for sale. Eot also plans to issue up to 10 new casino licences to private operators.

Meanwhile, the state-controlled Ionian Bank is seeking

Dalgety profits rise to £116.8m

By Maggie Urry

A STRONG performance from Dalgety's consumer foods division helped the group to lift pre-tax profits to £116.8m (£230m) from £110.9m in the year to June 30.

Mr Maurice Warren, chief executive, said trading conditions were tough, though he did not think they were worsening as some manufacturers have reported. He said the group was "set fair for 1993". It was seeking acquisitions in Europe, but Mr Warren said these were difficult to find at realistic prices.

Mr Luc Vansteenkiste, chief executive, revealed yesterday

Recticel offloads stake in foam unit

By Andrew Hill in Brussels

RECTICEL, the Belgian manufacturer of polyurethane foam, is to sell most of the rest of its 44 per cent stake in Foimax LP, its US subsidiary, for \$150m.

The Belgian company, which changed its name from Gechem in June, plans to sell 33.6 per cent of Foamax to its US partner, 21 International Holdings, at book value, in effect ending an ill-judged move into the US foam market.

Mr Vansteenkiste, chief executive, revealed yesterday

that "due to some new circumstances" the group was considering an increase in negative provisions in its 1992 accounts. He hinted that the write-offs - which would be announced with interim results next week - might be linked to environmental liabilities of companies which have since been sold.

The sale of the Foamax stake is conditional on 21 International raising the money through bank finance and the issue of high-yield bonds on the US capital markets.

The US group will also repay a \$16m loan to Recticel, bring-

ing the Belgian group's debt down to 140 per cent from more than twice shareholders' funds. A new capital injection of BF130m (\$103m) promised by June next year will reduce gearing still further, to about 80 per cent.

Mr Vansteenkiste, who inherited Foamax when he took over as Gechem chief executive last year, said yesterday: "The acquisition, as of last year, had not brought any money into the company, and we had to make a decision whether to continue or whether to stop."

Roquefort sale decision likely within six weeks

By Alice Rawsthorn in Paris

THE future of Roquefort, one of France's most famous cheeses, should be decided within the next six weeks when Nestlé, the Swiss food giant, concludes negotiations to sell its majority stake in Roquefort.

Nestlé, which earlier this year acquired a controlling 57 per cent stake in Roquefort as part of its successful takeover bid for Perrier mineral water, is valued at between FF1.5bn (£300m) and FF1.6bn (£310m).

INCREASE IN CONSOLIDATED NET INCOME FOR THE FIRST SIX MONTHS OF 1992

For the six months ended June 30th, 1992, consolidated net sales of BSN amounted to 36.3 billion French francs compared to 31.9 billion French francs for the same period last year, representing an increase of 14.0%. On a comparable consolidation basis and assuming consistent exchange rates, net sales increased by 4.2%.

For the first six months of 1992, consolidated net income amounted to 1,950 million French francs compared to 1,727 million French francs (excluding the net capital gain of 1,676 million French francs relating to the sale of BSN's Champagne operations) in 1991, a 12.9% increase.

Operating income (before interest expense and tax) amounted to 3,760 million French francs compared to 3,495 million French francs in 1991 (excluding capital gain from the sale of BSN's Champagne operations).

The breakdown of operating income by Division is as follows:

(in millions of French francs)	June 30, 1991	June 30, 1992
Dairy Products	1,009	1,281
Grocery Products - Pasta	664	511
Biscuits	536	485
Pet	425	511
Mineral Water	457	577
Confectionery	426	430
Divisions' Operating Income	3,517	3,801
Unallocated Items	2,136*	(41)

* Including a gain before tax of 2,148 million French francs relating to the Champagne operations.

Consolidated figures for the first six months of 1992 include, for the first time, the operating income of:

- Danone S.A. in Spain (Dairy Products)
- France Plats Cuisinés in France and Pycasa in Spain (Grocery Products-Pasta)
- W & R Jacob in Ireland (Biscuits)
- Italquale in Italy (Mineral Water)

Operating income of the Grocery Products-Pasta Division in 1991 included a non-recurring profit of some 100 million French francs.

As required by law, BSN's consolidated results for the first six months of the year were reviewed by the statutory auditors.

Excellent first half for Fortis

Key figures Fortis 1st half year: significant growth

(in ECU million*)	1992	1991	% increase
Total revenues	4,495	3,589	+ 25
Operating result	180	153	+ 18
Profit	196	177	+ 10
	30-6-1992	31-12-1991	
Equity	3,363	3,242	

* 1 ECU=0.71 Sterling

(in NLG*)	1992	1991	% increase
Earnings per share	8.32	8.43**	+ 6
Share price on 30 June	52.80	50.80**	
Price/earnings ratio	6.7	6.5	
	30-6-1992	31-12-1991	
Equity per share	69.98	67.67**	

* 1 NLG=0.31 Sterling

** Adjusted

Prospects

Despite the recent sharp fall in the value of the US dollar, Fortis stands by its projection for the full year of an improvement in operating result and a slightly higher profit.

On the basis

INTERNATIONAL COMPANIES AND FINANCE

Write-downs may force Foster's to launch A\$1bn issue

By Bruce Jacques
in Sydney

FOSTER'S, the Australian-based international brewing group, is today expected to reveal asset write-downs of between A\$600m and A\$1bn (\$431.6m-\$712.4m), forcing it to raise up to A\$1bn with a share issue.

The group was due yesterday to report its results for the year to June. Postponement of the figures is believed to have been caused by last-minute delays in underwriting arrangements for the share issue.

Meanwhile, Mr John Elliott, the former chairman and chief executive of Foster's, yesterday announced his resignation

from the company's board.

In an anti-climatic announcement - considering Mr Elliott's status as one of Australia's best-known businessmen - Mr Nobby Clark, Foster's current chairman, said Mr Elliott had made a "significant contribution" to the company.

The resignation has been seen as inevitable since early June, when Broken Hill Proprietary (BHP), the Australian resources group, appointed receivers to Mr Elliott's private company, International Brewing Investments (IBI), in which BHP has a significant stake.

IBI, in turn, holds near-controlling 38 per cent stake in Foster's. BHP is expected to support

the share issue, but the attitude of Asahi, the Japanese brewer which holds 19.9 per cent of Foster's shares, is less certain.

Since June, a banking syndicate has appointed its own receivers to IBI, and BHP has made a bid valued at A\$23.9 a share for IBI's stake in Foster's. These events have demonstrably removed Mr Elliott's influence over Foster's shares, and thus the rationale for him to sit on the board.

Announcing Mr Elliott's resignation yesterday, the Foster's board also announced that Mr Ken Biggins, another IBI representative on the Foster's board, would retire, but no statement was made about the future of another of Mr Elli-

ott's "associates" at Foster's, Mr Geoffrey Lord.

Mr Elliott had influenced the group that is now Foster's since the early 1970s, when he began the transformation of what was then a small Melbourne jam maker.

Through a series of audacious takeovers, he fashioned the Elders group, then Australia's largest agribusiness company, and the Carlton & United Brewing operation, into the conglomerate that is now the world's fourth largest brewer.

But the seeds of yesterday's exit were sown in 1988 when Mr Elliott sold to take control of Foster's through a privately-owned vehicle. The debt required proved unserviceable and IBI's problems have kept

Foster's future, he stood aside as chairman and chief executive.

Mr Elliott retains some rural interests, mainly in Victoria, and has a high-profile position as president of the Carlton Football Club, one of the most successful clubs in the Victoria-based Australian Football League.

Foster's shares rose 11 cents from a near low point for the year to A\$1.59 on Australian stock exchanges yesterday following news of Mr Elliott's exit.

News Corporation shares fell 78 cents to A\$2.54 on Australian stock exchanges following Friday night's announcement in New York of a US\$1.7bn combined international debt and equity issue.

Thais look to their neighbours as peace breaks out

Investing in China and Indochina is a response to fears of western protectionism, writes Victor Mallet

THAI companies, lured by business opportunities in southern China and Indochina, are increasingly investing abroad in an attempt to boost turnover and profits.

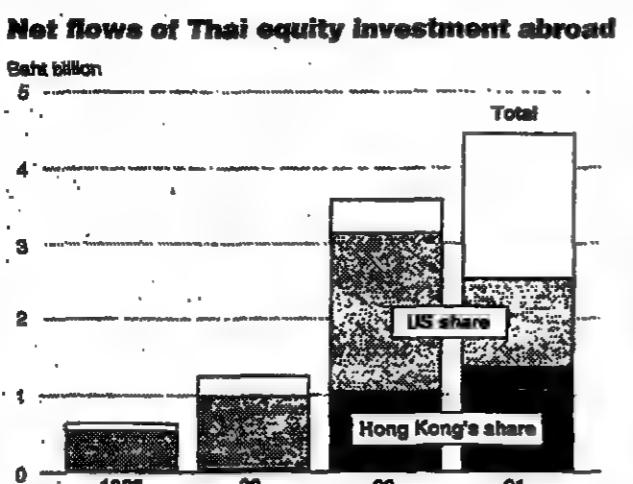
Fearful of trade protectionism in north America and Europe, they are also contemplating further investments in the West to safeguard their overseas markets.

Mr Anand Panyarachun, the Thai prime minister, recently identified the expansion of Thai investments overseas as one of the most important ways of ensuring the country's future economic prosperity.

Recognising the emerging role of Thai investments abroad, the Bank of Thailand, the central bank, began to publicise figures on the subject at the start of this year. They show net flows of Thai equity investment abroad rising to \$64.47bn (\$16m) in 1991 from only \$615m in 1988.

Hong Kong's share rose to \$1.34bn last year from almost nothing three years earlier, one indication of the growing interest in southern China's boom being shown by Bangkok's Thai-Chinese business community.

Among the companies increasing their exposure to China are the multinationals



Charoen Pokphand or CP group - long established in Hong Kong and China itself - Bangkok Bank, Thailand's largest bank, and property developers such as the Sompracha group.

Bangkok Bank, meanwhile, has announced plans to spend at least \$80m on a dozen new overseas branches, most of them in China, as part of its drive to become a regional bank concentrating on cross-border business in south-east Asia and China.

Bangkok Bank has noticed that its overseas business is growing much faster in Asia than in the saturated markets

of the US and Europe, and it is targeting its new investments accordingly.

Thai Military Bank is also expanding on the Pacific rim, and is doubling its share capital to Bt1bn to finance new branches in China, Indochina, Burma and on the US west coast; Krung Thai Bank is moving into Cambodia, Vietnam and China; the Bangkok Bank of Commerce, a smaller bank, is planning to open a branch in China and a subsidiary in Canada.

Mr Prasong Panichpakdee, managing director of Sompracha Land Development, is typical of the energetic Thai-Chinese businessmen who are now turning their attention to China. He sees an almost insatiable demand for houses in southern China, and says Guangzhou is "like Bangkok in China".

Somprasong has interests in Bt12bn worth of residential property developments in China, which will form a substantial part of the company's turnover in the years ahead. Mr Prasong was educated in Hong Kong and has gone into partnership with a Hong Kong businessman for the Chinese projects.

"For us to move to China is quite easy because of the language, and we all have the Chinese mentality," he says at his headquarters overlooking Bangkok's Chao Phraya river. "We'll be one of the early people to move from Thailand into China, and we think we'll perform very well."

Mr Prasong is less enthusiastic about Vietnam, although his company may consider investing there in the future. "I personally feel it's a little too early to get involved in Vietnam," he says. "You have to go somewhere where there's buying power."

But following the end of the Cold war and the signing of the 1991 Cambodian peace accord, many Thai banks, industrial companies and entrepreneurs have started moving into Cambodia, Laos and Vietnam.

Hua Thai Manufacturing, a textile company, has two operations in Vietnam, but businessmen say other Thai companies have been slow to respond to opportunities in Vietnam and have lost out to their rivals from Taiwan, Hong Kong, Singapore and Malaysia.

Some stockbrokers in Bangkok believe that Thai companies are merely dabbling in overseas investments or copying - perhaps too late - Hong Kong's excitement about southern China. Others say Thai companies' foreign investments will continue to grow.

"In China it's still fairly new, and with the exception of CP it's still fairly seat-of-the-pants," says one broker. "But companies like Bangkok Bank, CP and Siam Cement have quite simply outgrown Thailand; so it's time to start looking offshore."

factories and prawn farms into Indochina.

Another deciding factor in Thai investments abroad is the fact that exports to world markets will be restricted by protectionism in the European Community and the new North American Free Trade Agreement (Nafta), comprising the US, Canada and Mexico.

In 1988, Thailand's Unicord, a tuna processor, bought the canned tuna company Bumble Bee Seafoods of San Diego for \$265m. More recently Siam Cement, in a joint venture with Pinfloor of Italy, has invested in a new ceramic tile factory in Tennessee. Several Thai companies anxious to gain a foothold in Nafra, Laos and Vietnam are now considering investing in Mexico.

Some stockbrokers in Bangkok believe that Thai companies are merely dabbling in overseas investments or copying - perhaps too late - Hong Kong's excitement about southern China. Others say Thai companies' foreign investments will continue to grow.

"In China it's still fairly new, and with the exception of CP it's still fairly seat-of-the-pants," says one broker. "But companies like Bangkok Bank, CP and Siam Cement have quite simply outgrown Thailand; so it's time to start looking offshore."

NOTICE OF REDEMPTION
THERMO INSTRUMENT SYSTEMS INC.
(Formerly Thermo Environmental Corporation)

6 1/4% CONVERTIBLE SUBORDINATED DEBENTURES DUE 1997

NOTICE IS HEREBY GIVEN that Thermo Instrument Systems Inc. (the "Company") has caused to be paid pursuant to Section 6 of its Fiscal Agency Agreement dated as of June 27, 1988, to refocus on October 15, 1992 (the "Redemption Date") all of the Company's outstanding 6 1/4% Convertible Subordinated Debentures due 1997 (the "Debentures"). The Debenture were originally issued by Thermo Environmental Corporation, which merged with a subsidiary of the Company. The Company has assumed all of Thermo Environmental Corporation's obligations and rights under the Debentures.

REDEMPTION OF THE DEBENTURES

Redemption Date: October 15, 1992
Redemption Price: The redemption price of the Debentures is 102 7/8% of the principal amount of the Debentures, together with accrued interest from June 27, 1992 to October 15, 1992, in the amount of \$29.25 per \$1,000 principal amount of the Debentures, making a total of \$1,047.25 payable on October 15, 1992 for each \$1,000 principal amount of Debentures, plus accrued interest to the date of issuance on the Debentures.

Conversion: At a rate of 60.4746 shares of S.A. Thermo Inc. per \$1,000 principal amount of Debentures, or 60.4746 shares of S.A. Thermo Inc. per \$1,000 principal amount of Debentures, plus accrued interest to the date of issuance on the Debentures.

Interest: At a rate of 6.25% per annum on the Debentures, plus accrued interest to the date of issuance on the Debentures.

Dividends: Dividends will be paid quarterly on the Debentures.

Redemption: On or after the date of issuance of the Debentures, payment of the amount to be recovered on redemption will be made in the currency upon payment and currency of the Debenture (with specific date of December 27, 1992) and subsequent dates to issuance on any Debenture, plus accrued interest to the date of issuance on the Debenture.

Conversion of Debentures into Common Stock:

Prior to the date of issuance on the Debenture Date, the principal amount of up to Debentures, or any portion thereof that is \$1,000 or a multiple of \$1,000, may be converted at the option of the holder into shares of common stock of the Company at a conversion price of \$10.00 per share (or approximately 60.4746 shares for each \$1,000 principal amount of Debentures).

Conversion of Debentures into Debentures:

Conversion of Debentures may be carried out for conversion prior to the close of business on the Redemption Date together with a written notice of election to convert such Debenture(s) at any of the locations set forth in this notice. If no election is given, a Debenture will be converted to Debentures as described for conversion.

THE RIGHT TO CONVERT THE DEBENTURES SHALL TERMINATE AT THE CLOSE OF BUSINESS ON THE REDEMPTION DATE:

Holder and Debenture: Debenture may be presented for redemption or conversion at any of the following locations:

Chemical Bank: Banque Internationale a Luxembourg

Chemical Bank Branch: 2 Boulevard Royal

18th Street

London WC2R 3ET England

Bankers Trust: Luxembourg

Bankers Trust: 55 Water Street

Corporate Trust Department

New York, New York 10010

Bank of America: United States

Bank of America: 1000 Peachtree Street, N.E.

Atlanta, Georgia 30309

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SHANGHAI TYRE & RUBBER CO., LTD.**Inaugural General Meeting Announcement**

Shanghai Tyre & Rubber Co. Ltd (the "Company") hereby announces that an Inaugural General Meeting of the Company shall be held at 200pm Beijing time on 25th September 1992. The matters to be discussed and approved by Shareholders are set out as follows:

- Approval of Association of Shanghai Tyre & Rubber Co. Ltd
- Number of the Board of Directors and the Supervisory Committee

The following will be recovered and disposed by Shareholders:

3. Payment of the Company's expansion scheme

- An advance of the Company's strategic development plan by Mr. Song Zhang Fei, the Chairman of the Board of the Company

Shareholders of 2 Shares who wish to attend the Meeting should register at the Secretariat office Room 807, No. 97 Jianguo Road, Pudong, Shanghai with identification documents and copies of share certificates, between 1000 - 1100 a.m. and 100 - 400 p.m. on 17th September, 1992. Shareholders of B Shares who wish to attend the Meeting should register via facsimile to no. 021-52990000 (located address: No. 93 Shun Zhong Road, Shanghai) contact person: Mr. Xu Wei-Chun with identification documents and copies of share certificates before 22nd September, 1992. Shareholders, who cannot attend the Meeting may appoint individuals to attend the Meeting on their behalf after duly completing the form below:

The Certificate of Authority

Shanghai Tyre & Rubber Co., Ltd.

Name: _____ I, _____, declare that I am the Shareholder, Meeting of Shanghai Tyre & Rubber Co., Ltd. and I can has the voting right to act on my behalf.

Shareholder's name:

Shareholder's Name:

Address:

Fax Number:

Signature:

Date:

IAS Adjusted Interim Results

The Board of Directors of Shanghai Tyre & Rubber Co. Ltd. announces that the unaudited consolidated results of the Group, after making necessary adjustments in accordance with International Accounting Standards (IAS), for the six month period ended June 30, 1992 and its total:

	6-month period ended June 30, 1992	Year ended June 30, 1991
Turnover	731,360	1,283,360
Gross profit amount	169,033	218,050
- percentage	23.0%	17.0%
Profit Before taxation	126,495	183,323
Less tax	(35,370)	(55,821)
Profit after Taxation	91,225	127,502
Money invested	12,200	14,860
Profit attributable to Shareholders	88,965	108,642

Arthur Andersen & Co. Certified Public Accountants, Hong Kong have performed a limited review on the unaudited results of the Group for the six month period ended June 30, 1992 to confirm that all material adjustments needed to restore the unaudited results in accordance with IAS have been made.

U.S. \$75,000,000**Christiania Bank og Kreditkasse****Floating Rate Subordinated Notes Due 1994**

Interest Rate	5 1/4% per annum
Interest Period	14th September 1992
Interest Amount per U.S. \$10,000 Note due 15th March 1993	U.S. \$265.42
Credit Suisse First Boston Limited Agent	

US \$53,750,000

European Investment Bank

Floating Rate Notes due 2008

For the period from September 16, 1992 to March 15, 1993 the Notes will carry an interest rate of 5 1/4% per annum with an initial amount of US \$6.3M per US \$1,000.

The relevant interest payment date will be March 15, 1993.

Agent Bank:

Banque Paribas Luxembourg Societe Anonyme

THE WARDLEY CHINA FUND LIMITED

Unaudited NAV per share as at 31st August, 1992

US\$9.94

This notice is issued in compliance with the regulations of the International Stock Exchange of the United Kingdom and Republic of Ireland Limited ("the London Stock Exchange"). It does not constitute an invitation to any person to subscribe for or purchase any securities.

AEGIS GROUP plc

(Registered in England No. 1403668)

Issue of 22,500,000 100p Units each comprising of 100p nominal of 9.875 per cent. Convertible Unsecured Loan Stock 2002 and one Deferred Share of 1p.

The London Stock Exchange has granted permission for the above mentioned securities to be admitted to the Official List. Copies of the listing or other particulars relating to the above may be obtained during normal business hours from the Company Announcements Office of the London Stock Exchange, London Stock Exchange Tower, Capel Court Entrance, off Bartholomew Lane, EC2, by collection only, up to and including the second business day after the date of the formal notice. Particulars of the Issues will be included in the Companies Fiche Service available from Exetel Financial Limited, 37-45 Paul Street, London EC2A 4PB from 15.00 hours on the day following the date of the formal notice. Copies of the listing particulars and the supplementary listing particulars will also be available for collection up to and including 29th September, 1992 from:

Morgan Grenfell & Co. Limited
23 Great Winchester Street
London EC2P 2AXHoare Govett Corporate Finance Limited
4 Broadgate
London EC2M 7LE

and at the registered office of Aegis Group plc at 6 Eaton Gate, London SW1W 9BL.

15th September, 1992

C&G Cheltenham & Gloucester Building Society**£175,000,000****Floating Rate Notes due 1994**

In accordance with the provisions of the Notes, notice is hereby given that the rate of interest for the three month period ending 10th December, 1992 has been fixed at 10.7125% per annum. The interest accruing for such three month period will be £266.35 per £10,000 Bearer Note, and £2,663.49 per £100,000 Bearer Note.

Shareholders of 2 Shares who wish to attend the Meeting should register via facsimile to no. 02081 329900 (located address: No. 93 Shun Zhong Road, Shanghai) contact person: Mr. Xu Wei-Chun with identification documents and receipt of share ownership before 22nd September, 1992. Shareholders, who cannot attend the Meeting may appoint individuals to attend the Meeting on their behalf after duly completing the form below:

Notice of Association of Cheltenham & Gloucester Building Society

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COMPANY NEWS: UK

Morgan Crucible up to £31m

By Richard Gourlay

MORGAN CRUCIBLE, the industrial materials manufacturer, yesterday reported a modest 8 per cent fall in earnings per share despite harsh conditions in its markets.

Helped by acquisitions, pretax profits rose from £28.5m to £31m in the six months to July 5, on sales up 8 per cent at £234.4m.

Earnings per share fell from 10.2p to 9.4p and the interim dividend is maintained at 5.75p.

Rather than tinker with a small increase in the interim dividend, Mr Bruce Farmer, chief executive, said the group would prefer to make a fuller increase at the year-end, depending on sales in the last four months.

Mr Farmer said the group,

which has 84 per cent of sales outside the UK, saw some signs of economic upturn in the US and Australia and a good business climate in south-east Asia.

Gearing rose to 41 per cent from 26 per cent — a figure that included part of the proceeds of last April's rights issue — but interest cover rose to 8 times. This was after capital expenditure of £17.3m — excluding acquisitions — which was 15 times the depreciation cost.

At the operating level, margins fell from 11.5 per cent to 10.3 per cent. Excluding acquisitions, operating profits would have fallen 9 per cent.

Profits in the carbon division fell despite higher sales, partly because of a freeze in orders from two customers, and price competition leading to falls for

the first time in 10 years. Technical ceramics sales, profits and margins rose mainly because of acquisitions, but thermal ceramics' margin was hit by competition in refractory business which was not fully offset by the growth of new applications.

Profits at specialty materials were maintained and margins increased despite the relatively poor performance of Holt Lloyd, the car care business, which is undergoing a restructuring.

COMMENT
Morgan has had a long haul to regain the confidence of investors wary of its prediction for rights issues. But even discounting an 8 per cent out-performance since the last foray into the market, there are grounds for believing Morgan has spent long enough in the wilderness. When compared with its peers, it has performed well for an industrial company in recession with new applications for its technology moving it steadily into higher-value-added areas. And limiting the earnings fall to 8 per cent while maintaining operating margins above 10 per cent is not to be sneezed at. What is more, the group may not have to wait until its self-imposed abstinence from rights issues ends next April before returning to a more active acquisition programme, particularly if it can sell some of its non-core businesses. Add to that a relatively high yield and Morgan looks to be on a modest rating — 12 times prospective earnings based on a full-year forecast of £57m and 20.5p of earnings.

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GPA sets preference conversion price at \$8 a share

By Roland Rudd

GPA GROUP, the aircraft leasing company, yesterday set the conversion price of its \$350m (£178m) preference share issue at \$8 a share.

In a letter to institutional shareholders, GPA confirmed its intention to seek a listing for the convertible share issue in Luxembourg by the end of the year.

This would be followed by a listing of the ordinary and convertible shares on the Dublin stock exchange early next year.

GPA's planned flotation of ordinary shares, aborted in June, would have been priced at \$20 a share. The ordinary shares are currently quoted on the Dublin grey market at between \$6 and \$8.

GPA said it had commissioned a study which showed new investors might be attracted at a price of \$11.50. However, after listening to advice from its institutional shareholders, it decided to set the price at \$8.

The decision means that shareholders will have to write-down their existing shares to \$8 apiece. Many institutional shareholders had only written down the value of their shares by \$5 to \$10.

GPA is planning to meet with prospective shareholders next week if it can secure the agreement of most of its existing shareholders to take part in the convertible share issue.

Mr Tony Ryan, chairman and founder of the group who controls 8 per cent of the ordinary shares, plans to take up a "sizeable" amount of his rights in the new issue.

The injection of fresh equity is part of an overall recovery programme which includes two more asset-backed securities issues and the renegotiation of its aircraft acquisition programme.

GPA is locked in talks with Boeing, Airbus, Fokker and McDonnell Douglas about cutting the \$12 billion of orders for the rest of the decade to \$5 billion below expectations.

However, since June, the market had sharply deteriorated, resulting in "substantial discounting" hitting the charter tour market. Airbreak was forced to cut its planned flying programme by some 65,000 seats.

The news came out after the market closed, when the company's share price was down 1 1/4p.

The pre-tax losses amounted to £2.9m on turnover of £22.7m.

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COMMODITIES AND AGRICULTURE

Russian oil exports warning

By Leyla Bouton in Moscow

FOREIGN TRADERS have been warned to get used to a chronic shortage of Russian oil products and prepare for a continuing reduction in exports because of Moscow's squeeze on crude deliveries to former Soviet republics with spare refining capacity.

Professor Yevgeny Khartukov, a leading oil analyst, described as "uneducated" a statement by an official at Rosneftprodukt, the state organisation which collects refined products for export, that deliveries to Japan and western Europe were being suspended because of a domestic need for fuel to drive agriculture machinery during the harvest.

The statement was later withdrawn amid confusion on world markets.

"The trend should be made clear to traders: there is an excess supply of crude hanging over the market and less and less oil products around," said Prof Khartukov, who heads the Moscow-based World Energy Analysis and Forecasting Group. Exports of products from Russia would continue, but exports from other former Soviet republics could come to a stop by the end of the year, he said.

This was because Russia was starving republics such as Ukraine of cheap crude deliveries in an attempt to prevent them re-exporting oil and refined products for hard currency. But as a result it found itself with more crude than it could cope with, while refineries in other republics had idle capacity.

The break up of the Soviet Union has strained the old integrated system, in which Russia automatically delivered excess crude to refineries in other republics.

Acknowledged ways of discouraging the re-exports so that Russia could meet export obligations outside the former Soviet Union, Prof Khartukov said it was politically difficult to charge other republics world prices to stop them importing more than they needed for domestic consumption.

Moreover, politicians were too ignorant and industry managers too chaotic to pursue standard crude processing arrangements between countries with excess crude and those with excess refining capacity. Under that sort of ideal solution, the oil would continue to belong to Russia even when it went to refineries in other republics, which would receive a fee for refining services.

Prof Khartukov said Russia's plan to centralise exports and limit the number of enterprises which could become involved in foreign trade were also doomed to fail. "The shift from commercial to state run (export) structures have nothing to do with the volume of products available."

Geneva meeting expected to add \$1 a barrel to crude prices

Opec output rise set to continue

By Neil Buckley

Crude prices could rise by more than \$1 a barrel after the meeting of the Organisation of Petroleum Exporting Countries which begins tomorrow in Geneva, analysts say. However, any agreement is likely to have little effect on the organisation's real oil output.

Opec allocated each member a temporary production ceiling, adding up to 22.98m barrels at its February meeting. But since it rolled this over at its last meeting in May, albeit with the proviso that war-damaged Kuwait be allowed to increase production at will, it has been pumping at close to its capacity.

Observers believe Opec has good reason to reach an agreement that will allow production to continue rising gradually from about 24.3m barrels a day in the last quarter to between 24.5m and 24.8m b/d in the next. With demand in the coming quarter forecast to be at least 25m b/d, the result

would be a healthy oil price. Mr Mehdi Vaziri, Opec-watcher at Kleinwort Benson in London, believes even the traditional price "doves", notably Saudi Arabia, will support a higher price.

The fall in value of the dollar – the currency in which oil is traded – has decreased oil revenues by more than 10 per cent to some Opec members. Even wealthier members can no longer afford low prices, and are likely to push the price towards the price hawks' target of \$21 a barrel for the Opec basket of crudes.

Opec has some potentially acrimonious battles ahead – principally over how it will adjust present market shares to absorb Iraq when the United Nations allows it to re-commence oil exports. However, observers believe the organisation will be anxious to avoid such battles until its next meeting in November. Mr Vahan Zanoyan, consultant with the Petroleum Finance Company of Washington, says many members are too preoccupied with their own domestic politics to risk political clashes with their neighbours.

Analysts believe there are therefore two possible outcomes to the Geneva meeting.

Mr Joe Stanislaw, of Paris-based consultancy Cambridge Energy Research Associates, believes the 22.98m b/d quota will be rolled over for the second quarter running. The assumption, however, would be that real output would be around 24.6m b/d.

He feels that this is the most sensible solution, given that Opec may need to incorporate Iraq by the first quarter of next year and could face lower demand, meaning members would have to decrease output.

"Once you formally raise the quota for everyone it becomes much harder to bring it down again," he says.

However, Mr Zanoyan says Opec might make a "meaningful" increase in its production ceiling to a level slightly above the year – good news for Opec's price hawks and the oil companies.

Most observers expect the net result to be the target price of \$21 for the Opec basket of crudes (equivalent to around \$23 for Brent crude) being reached before the end of the year – good news for Opec's price hawks and the oil companies.

The damage to cotton is expected to put pressure on Pakistan's economy. Up to 80 per cent of last year's export earnings were from cotton related products such as raw cotton, yarn, fabrics, garments, bed-sheets and towels.

In addition, there are concerns that the floods have also damaged rice and sugar-cane fields. The extent of the damage is not yet clear because assessments are continuing.

Other damaged crops include

chillies, tomatoes and onions in southern Sindh. That may raise the prices of vegetables for consumers, some officials

Pakistan cotton crop damaged by floods

By Farhan Bokhari in Islamabad, Pakistan

THE COTTON crop in the Pakistan provinces of Punjab and Sindh has been badly damaged by floods following last week's heavy rains.

According to initial government estimates, up to 10 per cent of the crop may have been destroyed, though some officials believe losses may be up to 20 per cent. That would mean a sharp turnaround from a 35 per cent rise in cotton production last year.

Mr Zafar Alak, chairman of Pakistan's Agricultural Research Council, said production may decline by 1.5m bales from last year's output of 13m.

The Southern province of Sindh, expected to produce 1.5m bales, has so far been worst hit. Punjab would have produced the rest.

Initial estimates show that up to 60 per cent of the Sindh crop there has been destroyed. Officials fear further damage because flood water is expected to reach Sindh tomorrow or Thursday.

The damage to cotton is expected to put pressure on Pakistan's economy. Up to 80 per cent of last year's export earnings were from cotton related products such as raw cotton, yarn, fabrics, garments, bed-sheets and towels.

In addition, there are concerns that the floods have also damaged rice and sugar-cane fields. The extent of the damage is not yet clear because assessments are continuing.

Other damaged crops include chillies, tomatoes and onions in southern Sindh. That may raise the prices of vegetables for consumers, some officials

Growing 'green fuel' may be alternative to set-aside

FARMER'S VIEWPOINT

By David Richardson

On the ground floor of the building that houses the Austrian Ministry of Agriculture in Vienna, there is a small display. Its backdrop is the familiar 12-star blue flag of the European Community. Its purpose is to promote among the administrators who work in what was formerly the War Ministry the concept of Austrian membership of the EC. Detailed negotiations with the EC are to begin in 1993.

I was there to talk to Dr Adolf Hanser, who is involved in strategic planning of agricultural policies with responsibility for the promotion and exploitation of fuel oil from vegetative sources.

Although other countries are planning or building their own bio-fuel industries, it is Austria that leads the world in the development of the technology to convert rape oil into diesel fuel. Since 1982 the country has been seeking the best and cheapest method to produce a vegetable-based fuel that will power conventional engines designed to run on fossil fuel.

The scientists have perfected a fuel which produces only marginally less power per litre than fossil fuel, and which is much more environmentally friendly. They believe they are ready to go into commercial production.

Indeed, a few days ago in Austria I visited the biggest bio-diesel fuel production plant in the world, with an annual capacity of 15,000 tonnes. It was in the final stages of being commissioned but will not hold the production record for long. There are similar plants under construction in other European countries, some of them scheduled to produce up to 100,000 tonnes per year. Most are based on Austrian technology.

Unlike many of our European partners, however, the British Ministry of Agriculture appears to have little enthusiasm for oilseed rape-based bio-fuel, in spite of the fact that growing the necessary crops on set-aside land is specifically permitted under the terms of the CAP reform. Officials cite the fact that the positive energy balance - after what is used in the production process is accounted for - is small and that the cost in relation to that for fossil fuel is high.

I wondered therefore why Austrian officials had reached a different conclusion.

Dr Hanser told me that his country's interest in bio-fuel began in earnest in 1982 when, like most other European countries, Austrian cereal production became surplus to domestic consumption. The country was growing nearly 1m tonnes a year more than it needed. The cost of exporting this,

they would have received the Austrian guaranteed price of nearly £200 per tonne – almost twice as much as the present EC guaranteed price, which is itself to fall by 50 per cent because of the CAP reform.

"It is the government's responsibility," Dr Hanser said, "to ensure that the 6 per cent of the Austrian population who are farmers and farm workers are as well off as other comparable members of society. Permanent farms help to keep our countryside beautiful and attractive to tourists. The people of Austria are happy to pay our farmers this money to keep the country looking how we and our guests want it."

Remembering the EC exhibit downstairs, I asked how he thought such a policy would fit in with Austria's proposed membership of the Community.

"We shall have to negotiate special permission to continue our subsidising policies at the same levels," Dr Hanser replied, apparently oblivious to my raised eyebrows.

However, the fact remains

WORLD NUCLEAR INDUSTRIES			
The FT proposes to publish this survey on			
October 15 1992.			
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Weather hits UK cereal harvest

By David Blackwell

BAD WEATHER last month has helped reduce this year's total UK cereals harvest to 21.5m tonnes, worth about £2.2bn to the farming community, according to two leading grain traders. This compares with 22.7m tonnes in 1991.

Most badly hit has been the wheat harvest. Dalgety Agriculture, the biggest UK grain trader, estimates 1992 wheat production at 13.3m tonnes – "a far cry from the 18m tonnes plus many were predicting two

months ago," said Mr Andrew Barnard, arable crop marketing manager.

Allied Grain, part of Associated British Foods, estimates the UK wheat harvest at 13.4m tonnes. Mr Peter Crisford, an Allied director, said last week that the wheat harvest in southern England was 75 per cent complete "with the balance now in serious risk of major deterioration or total crop loss".

Wheat demand is put at 9.1m tonnes, leaving 4.1m tonnes for export or intervention. "The poorer quality available presents us with a major challenge in locating overseas customers," said Mr Barnard. Both Allied and

Dalgety put the barley harvest mainly gathered before the bad weather, at 7.5m tonnes.

Dalgety estimates UK barley demand for 1992-93 at 5.6m tonnes, but believes that there are good export prospects for the surplus 1.7m tonnes "in view of the excellent quality".

Wheat demand is put at 9.1m tonnes, leaving 4.1m tonnes for export or intervention. "The poorer quality available presents us with a major challenge in locating overseas customers," said Mr Barnard. Both Allied and

MARKET REPORT

GOLD eased in the afternoon from earlier highs, but spot metal was still fixed at a five-week high of \$346.25 a troy ounce. Some profit-taking crept into the market, which touched levels above \$348 at one stage after New York opened higher than expected. Gold is looking to consolidate above \$345, before a test of \$350, traders said. Dealers said the morning cuts in German interest rates were the key supportive factor, with the market ignoring dollar strength. There was little sign of heavy producer selling, and intermediate resistance was brushed off. Most **BASE METALS** on the LME ended the day

higher in both dollar and sterling terms, after nervousness caused by the currency market activity caused irregular movements. Traders said the ERM realignment and German interest rate cuts, although not likely to have any immediate impact on metals demand, were expected to aid economic recovery in the longer term. A threat of renewed industrial action by Polish COPPER miners came just as the cork closed but gave an early boost to the after-hours inter-office market. London's sterling COPCO prices fell in spite of the dollar's sharp rise.

Compiled from Reuters

London Markets**SPOT MARKETS**

Crude oil (per barrel FOB) [Oct] + or -

Dubai 57.05-65.25 + 20.25

Brent Blend (dollar) 50.65-70.20 - 2.75

Brent Blend (Oct) 50.65-70.20 - 2.75

WTI (1pm est) 52.25-53.35 + 0.35

Gas Oil products [NWE prompt delivery per tonne CIF] + or -

Premium Gasoline 121.25 + 1.75

Gas Oil 151.19 + 2.12 + 4.4

Heavy Fuel Oil 320.50-321.20 + 2.5

Mazda 151.19-152.20 + 2.12

Gasoline (per tonne CIF) 322.00-322.50 + 2.5

Gasoline (per

LONDON STOCK EXCHANGE

Footsie rises strongly in good trade

By Terry Byland,
UK Stock Market Editor**THERE WAS** a buoyant response in the London stock market to Sunday night's concerted move by Italy and Germany to overcome the threatened crisis in the European exchange rate mechanism.

Although the equity market's opening burst of enthusiasm proved well overdone, blue chip stocks overcame disappointment with the Bundesbank's reduction of only 0.25 per cent in the Lombard rate and 0.5 per cent in discount rate and the FT-SE Index closed 51.2 up at 2,422.

Strength in the US dollar and, after some early uncertainty, in the pound, brought demand for the heavyweights of the Footsie list. Trading volume, as measured by the Seaq network, increased but market-makers warred off some early buyers by marking prices higher before the official opening of trading.

However, the German interest rate cuts were feared to be insufficient to permit similar reductions in the UK in view of sterling's vulnerability in the ERM following devaluation of the lira. Investors remained cautious ahead of the French referendum next weekend on the Monetary treaty.

At Panmure, Gordon, Mr Robin Aspinall warned: "It is at least as likely as it was a week ago that UK rates will have to rise to defend sterling's ERM parity."

Similar views were expressed

Account Dealng Dates

First Dealng: Sep 7 Sep 21 Oct 5

Options/Underlyng: Sep 17 Oct 1 Oct 15

Last Dealng: Sep 16 Oct 2 Oct 16

Account Date: Sep 20 Oct 12 Oct 26

Last dealng date: This place from 8.30 am the business days earlier.

cuts, marked shares up before the Seaq system was switched on. But the weight of early buying surprised them, and the Footsie jumped by 99.5 points to 2,470.4 at the official opening.

The running was taken up in stock index futures, where trading in the Footsie September and December contracts was extremely heavy as traders struggled to take the increased demand into trading books promptly kept tight.

As soon as share trading was under way, however, institutions began to sell into strength, unloading lines of stock of which they had been unwilling holders in the market's low volume days.

Selling was not heavy but it soon clipped the Footsie gain back to plus 36.3 on the day as

strategists warned clients that, while the Bundesbank's moves were a welcome move in the right direction, they did not alter Britain's currency/international rate situation fundamentally, at least for the present.

London had sensed a strong opening on Wall Street, which came in with a gain of 40 Dow points in UK hours, and the pound began to move up against the D-mark. Good,

two-way trading in UK equities restored the Footsie to a gain of more than 50 points in the final hour of business. Seaq volume of 537,500 shares compared with Friday's 478,800, worth \$23.9m on retail business.

Once again, the market was led higher by widespread gains in the dollar-earners.

Optimism among builders

BATTERED and bruised in recent weeks by hefty downgrades and announcements of trading losses and dividend cuts, the building materials and contracting sectors were among the market's best performing areas yesterday after the German interest rate reductions.

Redland and RMC, two of the most important companies in the building materials sector and both heavily involved in the German market, surged ahead as some industry analysts took the view that the reduction in German rates could well mark a watershed in European interest rates.

A specialist commented: "There is a modest ground-swell of opinion that we may have passed the worst of what has been a hideous period for the building materials companies, but we still have the French referendum ahead of us and it could still go horribly wrong."

Redland shares, buffeted by recent price downgrades and due to report interim on October 1, jumped 24 to 327p. RMC, which last week suffered the indignity of being dropped from the FT-SE 100 Index, advanced 23 to 436p. The latter is expected to announce a modest increase in its interim dividend on Thursday, along with a slight decline in half-year profits.

Utilities languish

The utilities sectors were among the handful of areas of the market not to participate in the general upturn. "They are simply not fashionable on a day when the hint of interest rate cuts is in the air," said one dealer.

He added that the stocks had performed well against the market during the recent bout of currency-inspired turbulence and also amid hints of a new five-year coal agreement between the generators and British Coal.

The generators were heavily traded, with National Power closing 7 down at 254p on 5.3m share deals and PowerGen 8 easier at 267p on 5.9m. Manweb was the worst casualty in the electricity distribution stocks, sliding 20 to 426p. South West gave up 18 to 396p and London 13 to 385p.

The water issues had Anglian 7 cheaper at 425p, and Thames 6 down at 404p and Thames 4 off at 435p.

Hints of a cut in UK interest

rates were enough to send the housebuilders sharply better. Tarmac moved forward 10 to 69p, Bryant 8 to 74p and Shire appreciated 8 to 482p on 3.6m.

The high street banks led the market charge at the outset of trading but closed well below the day's best levels. Barclays put on 9 to 196p in front of Thursday's interim figures. The exploration and production sub-sector performed well, notably Enterprise Oil, which improved 11 to 339p.

Although closing well below their best levels after a session of erratic movements, shares in the big international drug companies recorded substantial gains on the back of their heavy dollar-earning capability. Glaxo raced up to 815p before settling 22% ahead at 790p, SmithKline Beecham advanced 13 to 502p and Wellcome 5 to 884p.

The 40p cent-plus jump in the market will trigger an increase in turnover and more corporate activity boosted S.G. Warburg, finally 20 higher at 454p.

The prospect of a reduction in UK interest rates saw discount houses turn upwards, Gerrard & National gaining 16 at 276p.

United Friendly moved up 19 to 390p in response to the increased interim profits and dividend. The latest step rise in the dollar gave a strong fillip to insurance brokers, C.S. Heath climbing 11 to 268p and Willis Corroon 7 to 173p.

Oil shares attracted a fresh burst of support from domestic and overseas sources, notably the US, where buyers responded to the upswing in the dollar. But a number of oil specialists said the sharp gain in the dollar was needed to head off an expected series of substantial profits downgrades in the sector.

Dividend growth in BP, an analyst said, remained a long-awaited market.

shares in Granada Group ignored the market's upsurge and slipped 3 to 286p in light trading. The damage appears to have been caused by the gloomy outlook that analysts visiting the company yesterday came away with. Brokers were particularly upbeat about the rental division, in which

there were some stocks, however, that not even a strong market trend could help yesterday. Food manufacturing group Hillsdown Holdings was among those, easing 3 to 32p in heavy trade of 6.8m shares.

The group reported disappointing figures last week well below the market's best estimates, which had precipitated a downward trend in the shares. Sentiment in the stock was further weakened by reports that three substantial lines of stock - one of between 7m and 8m shares - were trying to find buyers in a reluctant market.

The sentiment in Granada appeared to spill over into

Thorn EMI, which also has a rental division, and the shares ended a penny lighter at 670p. Volume was 1.7m.

This year's poor summer weather in the UK has started taking its toll. USM-quoted Clarke Foods plunged 43 to 21p after stating that it was no longer appropriate to pay an interim dividend" as previously intended, because of the fall in ice cream sales which has had a severe effect on the company's finances.

The view that UK interest rates are unlikely to be lowered in the short term hurt business services group BET, a penny easier at 108p after 1.4m shares traded.

Car repair group Kwik-fit shrank after it surprised the market by announcing a sharp fall in interim profits to £3.74m, from £16.75m at the same stage last year. Having dropped to 80p on the release of the figures, the shares rallied to close 13 down at 86p.

Inchcape jumped 23 to 420p after reporting an improvement in interim figures.

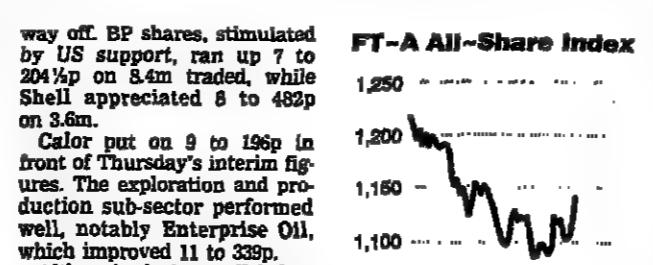
US investors were once again reported to be the day's main buyers of British Steel. Turnover reached 13m as the shares hardened 3 to 54p.

MARKET REPORTERS:

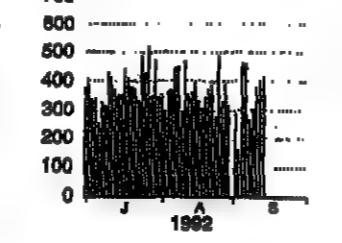
Steve Thompson,
Joel Kilbano.

■ Other market statistics.

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Equity Shares Traded

Turnover by volume (million)
Excluding intra-market
business & Overseas turnover

Shares in Granada Group ignored the market's upsurge and slipped 3 to 286p in light trading. The damage appears to have been caused by the gloomy outlook that analysts visiting the company yesterday came away with. Brokers were particularly upbeat about the rental division, in which

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The sentiment in Granada appeared to spill over into

FT-ACTUARIES SHARE INDICES

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EQUITY GROUPS

■ SUB-SECTIONS

Figure in parentheses show number of stocks per section

	Monday September 14 1992						Fri Sep 11	Thu Sep 10	Wed Sep 9	Year ago (approx)
Index No.	Day's Change %	Sur- plus/ minus %	Gross Yield (Max)	Sur- plus/ minus %	P/E Ratio	Sur- plus/ minus %	Index No.	Index No.	Index No.	Index No.
1 CAPITAL GOODS (175)	706.53	+3.3	8.26	6.28	15.60	-22.32	683.64	673.33	684.23	882.49
2 Building Materials (23)	682.27	+6.7	7.74	8.06	17.57	-27.19	539.14	526.85	617.65	720.40
3 Contracting, Construction (27)	517.93	+3.8	4.89	10.33	18.10	-25.74	498.89	487.76	485.72	118.04
4 Electricals (9)	203.91	+1.7	8.09	7.29	15.93	-74.93	196.29	198.82	199.01	240.60
5 Electronics (27)	199.76	+1.7	4.82	4.82	14.84	-20.20	198.20	198.20	198.20	200.00
6 Engineering Services (6)	202.19	+8.1	12.36	10.26	13.33	-20.07	261.31	260.79	274.75	245.45
7 Engineering-General (43)	426.44	+9.1	9.33	5.63	13.37	-13.00	417.68	409.49	409.31	498.49
8 Metals and Metal Forming (7)	277.13	+3.5	6.27	7.90	23.19	-7.30	267.74	261.75	262.23	453.76
9 Motors (14)	290.48	+1.5	9.17	8.13	14.33	-14.02	268.14	283.77	282.62	342.42
10 Other Industrial Materials (19)	1614.98	+3.8	7.78	5.16	15.34	-41.12	1525.15	1527.91	1480.17	1642.62
11 Textiles (9)	1523.96	+1.8	7.57	3.80	15.37	-28.51	1496.94	1481.94	1486.44	1569.43
12 CONSUMER GROUP (191)	1901.20	+2.1	8.75	3.83	13.78	-37.34	1862.85	1868.54	1871.09	1907.50
13 Food Manufacturing (19)	1094.76	+1.9	4.83	12.48	12.48	-47.71	1047.21	1024.55	1024.55	1024.55
14 Hotel, Restaurant (12)	207.46	+1.1	5.71	5.71	22.40	-25.62	204.77	204.77	204.77	217.22
15 Household Goods (25)	1077.36	+2.5	5.42	2.71	21.38	-42.46	1076.62	1087.58	1092.18	1045.42
16 Hotels and Leisure (18)	959.59	+0.9	8.39	7.14	15.37	-38.39	931.47	925.23	1376.36	1024.80
17 Media (26)	1479.99	+2.2	6.61	3.56	18.89	-29.64	1449.30	1424.45	1419.65	1533.76
18 Packaging, Paper & Printing (17)	694.19	+1.0	7.69	4.77	15.99	-18.71	687.31	688.26	677.95	759.96
19 Stores (34)	986.58	+1.2	7.21	3.79	18.46	-17.95	974.52	965.59	963.05	1025.54
20 Textiles (9)	571.21	+2.9	8.25	5.37	15.37	-16.10	555.25	555.25	568.87	643.35
21 OTHER GROUPS (117)	1220.74	+10.2	10.24	10.24	10.24	-21.24	1223.23	1220.96	1213.06	1442.24
22 Breweries & Distillers (25)	1042.76	+2.8	5.56	5.56	15.36	-20.71	1042.76	1042.76	1042.76	1042.76
23 Food Processing (12)	1094.76	+1.9	4.83							

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Pearl Assurance (Unit Funds) Ltd						Prudential Corporate Pension Funds						Scotlife Assurance Group - Contd.					Widmer Life Assur Co Ltd - Contd.					Fidelity Money Funds - Contd.			
Lloyd Wood, Peterborough PE2 6PF	0723 470470					Stephens, S, London W1P 2AP	071-548 3203					Sure Alliance Group - Contd.					Royal Life Inst. Ltd - Contd.					Starlife Funds Manager (Guernsey) Ltd			
Property Acc (Globe)	257.6	271.2	46.2			Discretionary Selv 9	122.02	178.15			Managed funds	124.4	220.2			Incorporated 1982	124.1	220.2			Starlife Fund Mgt (G)	041 72202			
Equity Acc (Globe)	257.6	271.2	46.2			High Inv Selv 9	122.02	178.15			Managed funds	125.7	220.2			Alpha Fund	120.4	220.2			Starlife Fund Mgt (I)	041 72202			
Global Growth	257.6	271.2	46.2			Int'l Bond Selv 9	122.02	178.15			Equity funds	125.7	220.2			Alpha Fund	120.4	220.2			Starlife Fund Mgt (I)	041 72202			
Property Acc (Int'l)	87.1	97.0	46.2			Int'l Bond Selv 9	122.02	178.15			Equity funds	125.7	220.2			Alpha Fund	120.4	220.2			Starlife Fund Mgt (I)	041 72202			
América Latina Manager	26.0	36.0	46.2			Int'l Bond Selv 9	122.02	178.15			Equity funds	125.7	220.2			Alpha Fund	120.4	220.2			Starlife Fund Mgt (I)	041 72202			
International Manager	26.0	36.0	46.2			Int'l Bond Selv 9	122.02	178.15			Equity funds	125.7	220.2			Alpha Fund	120.4	220.2			Starlife Fund Mgt (I)	041 72202			
Global Fund	141.8	149.2	46.2			Int'l Bond Selv 9	122.02	178.15			Equity funds	125.7	220.2			Alpha Fund	120.4	220.2			Starlife Fund Mgt (I)	041 72202			
Money Fund	141.8	149.2	46.2			Int'l Bond Selv 9	122.02	178.15			Equity funds	125.7	220.2			Alpha Fund	120.4	220.2			Starlife Fund Mgt (I)	041 72202			
Master Fund	141.8	149.2	46.2			Int'l Bond Selv 9	122.02	178.15			Equity funds	125.7	220.2			Alpha Fund	120.4	220.2			Starlife Fund Mgt (I)	041 72202			
Money Fund (Int'l)	141.8	149.2	46.2			Int'l Bond Selv 9	122.02	178.15			Equity funds	125.7	220.2			Alpha Fund	120.4	220.2			Starlife Fund Mgt (I)	041 72202			
Master Fund (Int'l)	141.8	149.2	46.2			Int'l Bond Selv 9	122.02	178.15			Equity funds	125.7	220.2			Alpha Fund	120.4	220.2			Starlife Fund Mgt (I)	041 72202			
Prudential Assurance Co Ltd						Int'l Bond Selv 9	122.02	178.15			Equity funds	125.7	220.2			Alpha Fund	120.4	220.2			Starlife Fund Mgt (I)	041 72202			
37-39, Percyman Road, Hanover Street, London W1P 2AP	081-584 72072					Int'l Bond Selv 9	122.02	178.15			Equity funds	125.7	220.2			Alpha Fund	120.4	220.2			Starlife Fund Mgt (I)	041 72202			
Building Soc	22.0	23.0				Int'l Bond Selv 9	122.02	178.15			Equity funds	125.7	220.2			Alpha Fund	120.4	220.2			Starlife Fund Mgt (I)	041 72202			
Building Soc	22.0	23.0				Int'l Bond Selv 9	122.02	178.15			Equity funds	125.7	220.2			Alpha Fund	120.4	220.2			Starlife Fund Mgt (I)	041 72202			
GIT Manager	112.5	122.0				Int'l Bond Selv 9	122.02	178.15			Equity funds	125.7	220.2			Alpha Fund	120.4	220.2			Starlife Fund Mgt (I)	041 72202			
German	125.0	135.0				Int'l Bond Selv 9	122.02	178.15			Equity funds	125.7	220.2			Alpha Fund	120.4	220.2			Starlife Fund Mgt (I)	041 72202			
Global	135.0	145.0				Int'l Bond Selv 9	122.02	178.15			Equity funds	125.7	220.2			Alpha Fund	120.4	220.2			Starlife Fund Mgt (I)	041 72202			
International Capital	135.0	145.0				Int'l Bond Selv 9	122.02	178.15			Equity funds	125.7	220.2			Alpha Fund	120.4	220.2			Starlife Fund Mgt (I)	041 72202			
Japan	125.0	135.0				Int'l Bond Selv 9	122.02	178.15			Equity funds	125.7	220.2			Alpha Fund	120.4	220.2			Starlife Fund Mgt (I)	041 72202			
UK Select	125.0	135.0				Int'l Bond Selv 9	122.02	178.15			Equity funds	125.7	220.2			Alpha Fund	120.4	220.2			Starlife Fund Mgt (I)	041 72202			
American	125.0	135.0				Int'l Bond Selv 9	122.02	178.15			Equity funds	125.7	220.2			Alpha Fund	120.4	220.2			Starlife Fund Mgt (I)	041 72202			
Building Soc	22.0	23.0				Int'l Bond Selv 9	122.02	178.15			Equity funds	125.7	220.2			Alpha Fund	120.4	220.2			Starlife Fund Mgt (I)	041 72202			
Building Soc	22.0	23.0				Int'l Bond Selv 9	122.02	178.15			Equity funds	125.7	220.2			Alpha Fund	120.4	220.2			Starlife Fund Mgt (I)	041 72202			
GIT	125.0	135.0				Int'l Bond Selv 9	122.02	178.15			Equity funds	125.7	220.2			Alpha Fund	120.4	220.2			Starlife Fund Mgt (I)	041 72202			
Global	135.0	145.0				Int'l Bond Selv 9	122.02	178.15			Equity funds	125.7	220.2			Alpha Fund	120.4	220.2			Starlife Fund Mgt (I)	041 72202			
International Equity	135.0	145.0				Int'l Bond Selv 9	122.02	178.15			Equity funds	125.7	220.2			Alpha Fund	120.4	220.2			Starlife Fund Mgt (I)	041 72202			
UK Select	135.0	145.0				Int'l Bond Selv 9	122.02	178.15			Equity funds	125.7	220.2			Alpha Fund	120.4	220.2			Starlife Fund Mgt (I)	041 72202			
American	125.0	135.0				Int'l Bond Selv 9	122.02	178.15			Equity funds	125.7	220.2			Alpha Fund	120.4	220.2			Starlife Fund Mgt (I)	041 72202			
Building Soc	22.0	23.0				Int'l Bond Selv 9	122.02	178.15			Equity funds	125.7	220.2			Alpha Fund	120.4	220.2			Starlife Fund Mgt (I)	041 72202			
Building Soc	22.0	23.0				Int'l Bond Selv 9	122.02	178.15			Equity funds	125.7	220.2			Alpha Fund	120.4	220.2			Starlife Fund Mgt (I)	041 72202			
Building Soc	22.0	23.0				Int'l Bond Selv 9	122.02	178.15			Equity funds	125.7	220.2			Alpha Fund	120.4	220.2			Starlife Fund Mgt (I)	041 72202			
Building Soc	22.0	23.0				Int'l Bond Selv 9	122.02	178.15			Equity funds	125.7	220.2			Alpha Fund	120.4	220.2			Starlife Fund Mgt (I)	041 72202			
Building Soc	22.0	23.0				Int'l Bond Selv 9	122.02	178.15			Equity funds	125.7	220.2			Alpha Fund	120.4	220.2			Starlife Fund Mgt (I)	041 72202			
Building Soc	22.0	23.0				Int'l Bond Selv 9	122.02	178.15			Equity funds	125.7	220.2			Alpha Fund	120.4	220.2			Starlife Fund Mgt (I)	041 72202			
Building Soc																									

FT MANAGED FUNDS SERVICE

• Current Unit Trust prices are available from FT Cityline. For further details call (071) 925 2128

BASED FUNDS NOTES
unless otherwise indicated and those
not so held, refer to U.S. dollars Yield %
and holding expenses. Prices of certain other
securities subject to capital gains tax can
vary from time to time. A Periodic Statement
of Shareholders' Interests is issued in a quarterly
basis.
A UCITS (Undertakings for Collective
Investment in Transferable Securities) is offered price
is offered except where its concentration is
5% or more in one country. It is suspended if
the manager considers it necessary. It is only available
in the United Kingdom. It is not available
in the United States or elsewhere.
It is recognised by the regulatory authorities
as: **Guernsey Financial Services
Authority, Central Bank of Ireland, Isle of**

WORLD STOCK MARKETS

AUSTRIA		FRANCE (continued)		GERMANY (continued)		NETHERLANDS (continued)		SWEDEN (continued)		CANADA	
September 14	Stock	Sept 14	Frs.	Sept 14	DM.	Sept 14	Frs.	Sept 14	Kr.	Sept 14	Stock
Austrian Airlines	1,995 +26	Caterp	2,205 +25	Brugmann	268.50 +25	AMEV Dg Recs	55.70d +14	Mobilia B Free	135 +11	Scotiabank	72 66 -7 +17
Creditanstalt Pt	432 +26	Cassino	148 +15	Burgess Bk	500 +150	Ammergau B Free	135 +10	CoastPaper	\$13 012 13		
EBA General	5717 +27	Cetecem	788 +15	Fag Kupferfischer	189.50 +150	Braun Gt Inds	57 +10	Corus Corp	\$14 121 13		
Europac	154 +10	Citopart	1,195 +25	GEHE	375.50 +150	Bremser G Bkcs	36 +10	Country Co	\$14 121 13		
Emil	750 +47	Citopart	1,195 +25	Gesell	375.50 +150	Bremser G Bkcs	36 +10	Country Co	\$14 121 13		
Ernst & Young	1,191 +10	Cognif	321 +17	Goldbeckum (Th)	880 +150	Bremser G Bkcs	36 +10	Country Co	\$14 121 13		
Fluxus Reinsurance	467 +52	Compt Int	562 +10	DSM	1,120.70 +150	Bremser G Bkcs	36 +10	Country Co	\$14 121 13		
Reinhardts Brs	1,160 +52	DFT	1,022.90 +110	Dufex	179 +10	Bremser G Bkcs	36 +10	Country Co	\$14 121 13		
Reinhardts Brs	1,160 +52	Dufex	1,022.90 +110	Hamburg Elekt	179 +10	Bremser G Bkcs	36 +10	Country Co	\$14 121 13		
Verbrauch	2,200 +27	Dufex	1,022.90 +110	Haus Lloyds	440 +10	Bremser G Bkcs	36 +10	Country Co	\$14 121 13		
Verbrauch (Br) A	450 +17	Dufex	1,022.90 +110	Haus Lloyds	440 +10	Bremser G Bkcs	36 +10	Country Co	\$14 121 13		
Wittgensteiner	1,020 +80	Dufex	1,022.90 +110	Haus Lloyds	440 +10	Bremser G Bkcs	36 +10	Country Co	\$14 121 13		
Z-Landwirks	1,020 +80	Dufex	1,022.90 +110	Haus Lloyds	440 +10	Bremser G Bkcs	36 +10	Country Co	\$14 121 13		
NETHERLANDS DRIVING											
Schaeffler 3.5	Frs. + or -	Schaeffler 34	Frs. + or -	Schaeffler 14	DM. + or -	Schaeffler 14	Frs. + or -	Schaeffler 14	Kr. + or -	Schaeffler 14	Stock
Ad Group	1,955 +110	Schaeffler B-Say	649 +15	Schaeffler B-Say	268.50 +150	Schaeffler B-Say	55.70d +14	Schaeffler B Free	135 +11	Schaeffler	580 100 100
Ackermann	2,700 +40	Schaeffler B-Say	649 +15	Schaeffler B-Say	268.50 +150	Schaeffler B-Say	55.70d +14	Schaeffler B Free	135 +11	Schaeffler	580 100 100
Ad Group	2,700 +40	Schaeffler B-Say	649 +15	Schaeffler B-Say	268.50 +150	Schaeffler B-Say	55.70d +14	Schaeffler B Free	135 +11	Schaeffler	580 100 100
Ad Group	2,700 +40	Schaeffler B-Say	649 +15	Schaeffler B-Say	268.50 +150	Schaeffler B-Say	55.70d +14	Schaeffler B Free	135 +11	Schaeffler	580 100 100
BBK	3,470 +20	Schaeffler B-Say	649 +15	Schaeffler B-Say	268.50 +150	Schaeffler B-Say	55.70d +14	Schaeffler B Free	135 +11	Schaeffler	580 100 100
Bank Int'l	11,200 +500	Schaeffler B-Say	649 +15	Schaeffler B-Say	268.50 +150	Schaeffler B-Say	55.70d +14	Schaeffler B Free	135 +11	Schaeffler	580 100 100
Beiersdorff	11,925 +250	Schaeffler B-Say	649 +15	Schaeffler B-Say	268.50 +150	Schaeffler B-Say	55.70d +14	Schaeffler B Free	135 +11	Schaeffler	580 100 100
CMS	1,770 +130	Schaeffler B-Say	649 +15	Schaeffler B-Say	268.50 +150	Schaeffler B-Say	55.70d +14	Schaeffler B Free	135 +11	Schaeffler	580 100 100
Dahmen	1,770 +130	Schaeffler B-Say	649 +15	Schaeffler B-Say	268.50 +150	Schaeffler B-Say	55.70d +14	Schaeffler B Free	135 +11	Schaeffler	580 100 100
Deutsche Bahn	1,770 +130	Schaeffler B-Say	649 +15	Schaeffler B-Say	268.50 +150	Schaeffler B-Say	55.70d +14	Schaeffler B Free	135 +11	Schaeffler	580 100 100
Deutsche Bahn	1,770 +130	Schaeffler B-Say	649 +15	Schaeffler B-Say	268.50 +150	Schaeffler B-Say	55.70d +14	Schaeffler B Free	135 +11	Schaeffler	580 100 100
Deutsche Bahn	1,770 +130	Schaeffler B-Say	649 +15	Schaeffler B-Say	268.50 +150	Schaeffler B-Say	55.70d +14	Schaeffler B Free	135 +11	Schaeffler	580 100 100
Deutsche Bahn	1,770 +130	Schaeffler B-Say	649 +15	Schaeffler B-Say	268.50 +150	Schaeffler B-Say	55.70d +14	Schaeffler B Free	135 +11	Schaeffler	580 100 100
Deutsche Bahn	1,770 +130	Schaeffler B-Say	649 +15	Schaeffler B-Say	268.50 +150	Schaeffler B-Say	55.70d +14	Schaeffler B Free	135 +11	Schaeffler	580 100 100
Deutsche Bahn	1,770 +130	Schaeffler B-Say	649 +15	Schaeffler B-Say	268.50 +150	Schaeffler B-Say	55.70d +14	Schaeffler B Free	135 +11	Schaeffler	580 100 100
Deutsche Bahn	1,770 +130	Schaeffler B-Say	649 +15	Schaeffler B-Say	268.50 +150	Schaeffler B-Say	55.70d +14	Schaeffler B Free	135 +11	Schaeffler	580 100 100
Deutsche Bahn	1,770 +130	Schaeffler B-Say	649 +15	Schaeffler B-Say	268.50 +150	Schaeffler B-Say	55.70d +14	Schaeffler B Free	135 +11	Schaeffler	580 100 100
Deutsche Bahn	1,770 +130	Schaeffler B-Say	649 +15	Schaeffler B-Say	268.50 +150	Schaeffler B-Say	55.70d +14	Schaeffler B Free	135 +11	Schaeffler	580 100 100
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Deutsche Bahn	1,770 +130	Schaeffler B-Say	649 +15	Schaeffler B-Say	268.50 +150	Schaeffler B-Say	55.70d +14	Schaeffler B Free	135 +11	Schaeffler	580 100 100
Deutsche Bahn	1,770 +130	Schaeffler B-Say	649 +15	Schaeffler B-Say	268.50 +150	Schaeffler B-Say	55.70d +14	Schaeffler B Free	135 +11	Schaeffler	580 100 100
Deutsche Bahn	1,770 +130	Schaeffler B-Say	649 +15	Schaeffler B-Say	268.50 +150	Schaeffler B-Say	55.70d +14	Schaeffler B Free	135 +11	Schaeffler	580 100 100
Deutsche Bahn	1,770 +130	Schaeffler B-Say	649 +15	Schaeffler B-Say	268.50 +150	Schaeffler B-Say	55.70d +14	Schaeffler B Free	135 +11	Schaeffler	580 100 100
Deutsche Bahn	1,770 +130	Schaeffler B-Say	649 +15	Schaeffler B-Say	268.50 +150	Schaeffler B-Say	55.70d +14	Schaeffler B Free	135 +11	Schaeffler	580 100 100
Deutsche Bahn	1,770 +130	Schaeffler B-Say	649 +15	Schaeffler B-Say	268.50 +150	Schaeffler B-Say	55.70d +14	Schaeffler B Free	135 +11	Schaeffler	580 100 100
Deutsche Bahn	1,770 +130	Schaeffler B-Say	649 +15	Schaeffler B-Say	268.50 +150	Schaeffler B-Say	55.70d +14	Schaeffler B Free	135 +11	Schaeffler	580 100 100
Deutsche Bahn	1,770 +130	Schaeffler B-Say	649 +15	Schaeffler B-Say	268.50 +150	Schaeffler B-Say	55.70d +14	Schaeffler B Free	135 +11	Schaeffler	580 100 100
Deutsche Bahn	1,770 +130	Schaeffler B-Say	649 +15	Schaeffler B-Say	268.50 +150	Schaeffler B-Say	55.70d +14	Schaeffler B Free	135 +11	Schaeffler	580 100 100
Deutsche Bahn	1,770 +130	Schaeffler B-Say	649 +15	Schaeffler B-Say	268.50 +150	Schaeffler B-Say	55.70d +14	Schaeffler B Free	135 +11	Schaeffler	580 100 100
Deutsche Bahn	1,770 +130	Schaeffler B-Say	649 +15	Schaeffler B-Say	268.50 +150	Schaeffler B-Say	55.70d +14	Schaeffler B Free	135 +11	Schaeffler	580 100 100
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Deutsche Bahn	1,770 +130	Schaeffler B-Say	649 +15	Schaeffler B-Say	268.50 +150	Schaeffler B-Say	55.70d +14	Schaeffler B Free	135 +11	Schaeffler	580 100 100
Deutsche Bahn	1,770 +130	Schaeffler B-Say	649 +15	Schaeffler B-Say	268.50 +150	Schaeffler B-Say	55.70d +14	Schaeffler B Free	135 +11	Schaeffler	580 100 100
Deutsche Bahn	1,770 +130	Schaeffler B-Say	649 +15	Schaeffler B-Say	268.50 +150	Schaeffler B-Say	55.70d +14	Schaeffler B Free	135 +11	Schaeffler	580 100 100
Deutsche Bahn	1,770 +130	Schaeffler B-Say	649 +15	Schaeffler B-Say	268.50 +150	Schaeffler B-Say	55.70d +14	Schaeffler B Free	135 +11	Schaeffler	580 100 100
Deutsche Bahn	1,770 +130	Schaeffler B-Say</td									

NYSE COMPOSITE PRICES

Continued from previous page.

	Yld. %	Pt. Sls.	Clos. Prev.	1992	Yld. %	Pt. Sls.	Clos. Prev.	1992	Yld. %	Pt. Sls.	Clos. Prev.	1992	Yld. %	Pt. Sls.	Clos. Prev.	1992		
High Low Stock	Div. %	E 1000 High	Low Clos. Clos.	High Low Stock	Div. %	E 1000 High	Low Clos. Clos.	High Low Stock	Div. %	E 1000 High	Low Clos. Clos.	High Low Stock	Div. %	E 1000 High	Low Clos. Clos.	High Low Stock		
6% 5% Salan Corp	7.20	5	4	45	60-65% Teltron AGR	0.45	11.102650	451	451	451	451	7% 6% Alj Vesta Inc	0.20	4.45	10	45	44	45
74% 63% Sales Corp	1.00	1.2	0.9	1.2	45 Telephonics	0.36	19.201555	503	493	493	493	12% 6% Valley Ind	0.21	11.102111	11	11	11	11
74% 63% Sales Corp	0.67	0.67	0.67	0.67	45 TempGlobe	0.21	10.102000	224	224	224	224	13% 7% Van Dorn	0.00	3.102103	51	50	50	50
25% 26% Salvo Corp	0.04	1.2	1.0	1.0	45 TempGlobe	0.21	10.201555	503	493	493	493	14% 6% Venetian M	0.00	12.101250	27	27	27	27
24% 25% Salvo Corp	0.44	1.2	1.0	1.0	45 Terrenecon	0.24	4.200584	365	375	375	375	15% 6% Venetian M	0.00	12.101250	27	27	27	27
24% 25% Salvo Corp	0.44	1.2	1.0	1.0	45 Terrenecon	0.24	4.200584	365	375	375	375	16% 6% Venetian M	0.00	12.101250	27	27	27	27
30% 30% Sanita Plus	0.10	0.10	0.10	0.10	45 Terrenecon	0.24	4.200584	365	375	375	375	17% 6% Venetian M	0.00	12.101250	27	27	27	27
14% 10% Sanita Plus	0.10	0.10	0.10	0.10	45 Terrenecon	0.24	4.200584	365	375	375	375	18% 6% Venetian M	0.00	12.101250	27	27	27	27
57% 57% Sanita Plus	1.00	1.2	1.0	1.0	45 Terrenecon	0.24	4.200584	365	375	375	375	19% 6% Venetian M	0.00	12.101250	27	27	27	27
44% 36% Sans Corp	2.88	6.2	3.131474	45	45	45	45	45	45	45	45	20% 12% Vesta Inc	0.20	4.45	10	45	44	45
47% 36% Sans Corp	2.88	6.2	3.131474	45	45	45	45	45	45	45	45	21% 12% Vesta Inc	0.20	4.45	10	45	44	45
67% 62% Santander	1.20	1.7	1.0	1.0	45 TempGlobe	0.21	10.201555	503	493	493	493	22% 12% Vesta Inc	0.20	4.45	10	45	44	45
37% 26% Satgec	0.04	1.2	1.0	1.0	45 TempGlobe	0.21	10.201555	503	493	493	493	23% 12% Vesta Inc	0.20	4.45	10	45	44	45
37% 26% Satgec	0.04	1.2	1.0	1.0	45 TempGlobe	0.21	10.201555	503	493	493	493	24% 12% Vesta Inc	0.20	4.45	10	45	44	45
10% 7% Scottman	0.10	0.10	0.10	0.10	45 TempGlobe	0.21	10.201555	503	493	493	493	25% 12% Vesta Inc	0.20	4.45	10	45	44	45
17% 15% Scottman	0.10	0.10	0.10	0.10	45 TempGlobe	0.21	10.201555	503	493	493	493	26% 12% Vesta Inc	0.20	4.45	10	45	44	45
9% 7% Scottman	0.10	0.10	0.10	0.10	45 TempGlobe	0.21	10.201555	503	493	493	493	27% 12% Vesta Inc	0.20	4.45	10	45	44	45
17% 15% Scottman	0.10	0.10	0.10	0.10	45 TempGlobe	0.21	10.201555	503	493	493	493	28% 12% Vesta Inc	0.20	4.45	10	45	44	45
9% 7% Scottman	0.10	0.10	0.10	0.10	45 TempGlobe	0.21	10.201555	503	493	493	493	29% 12% Vesta Inc	0.20	4.45	10	45	44	45
9% 7% Scottman	0.10	0.10	0.10	0.10	45 TempGlobe	0.21	10.201555	503	493	493	493	30% 12% Vesta Inc	0.20	4.45	10	45	44	45
9% 7% Scottman	0.10	0.10	0.10	0.10	45 TempGlobe	0.21	10.201555	503	493	493	493	31% 12% Vesta Inc	0.20	4.45	10	45	44	45
9% 7% Scottman	0.10	0.10	0.10	0.10	45 TempGlobe	0.21	10.201555	503	493	493	493	32% 12% Vesta Inc	0.20	4.45	10	45	44	45
9% 7% Scottman	0.10	0.10	0.10	0.10	45 TempGlobe	0.21	10.201555	503	493	493	493	33% 12% Vesta Inc	0.20	4.45	10	45	44	45
9% 7% Scottman	0.10	0.10	0.10	0.10	45 TempGlobe	0.21	10.201555	503	493	493	493	34% 12% Vesta Inc	0.20	4.45	10	45	44	45
9% 7% Scottman	0.10	0.10	0.10	0.10	45 TempGlobe	0.21	10.201555	503	493	493	493	35% 12% Vesta Inc	0.20	4.45	10	45	44	45
9% 7% Scottman	0.10	0.10	0.10	0.10	45 TempGlobe	0.21	10.201555	503	493	493	493	36% 12% Vesta Inc	0.20	4.45	10	45	44	45
9% 7% Scottman	0.10	0.10	0.10	0.10	45 TempGlobe	0.21	10.201555	503	493	493	493	37% 12% Vesta Inc	0.20	4.45	10	45	44	45
9% 7% Scottman	0.10	0.10	0.10	0.10	45 TempGlobe	0.21	10.201555	503	493	493	493	38% 12% Vesta Inc	0.20	4.45	10	45	44	45
9% 7% Scottman	0.10	0.10	0.10	0.10	45 TempGlobe	0.21	10.201555	503	493	493	493	39% 12% Vesta Inc	0.20	4.45	10	45	44	45
9% 7% Scottman	0.10	0.10	0.10	0.10	45 TempGlobe	0.21	10.201555	503	493	493	493	40% 12% Vesta Inc	0.20	4.45	10	45	44	45
9% 7% Scottman	0.10	0.10	0.10	0.10	45 TempGlobe	0.21	10.201555	503	493	493	493	41% 12% Vesta Inc	0.20	4.45	10	45	44	45
9% 7% Scottman	0.10	0.10	0.10	0.10	45 TempGlobe	0.21	10.201555	503	493	493	493	42% 12% Vesta Inc	0.20	4.45	10	45	44	45
9% 7% Scottman	0.10	0.10	0.10	0.10	45 TempGlobe	0.21	10.201555	503	493	493	493	43% 12% Vesta Inc	0.20	4.45	10	45	44	45
9% 7% Scottman	0.10	0.10	0.10	0.10	45 TempGlobe	0.21	10.201555	503	493	493	493	44% 12% Vesta Inc	0.20	4.45	10	45	44	45
9% 7% Scottman	0.10	0.10	0.10	0.10	45 TempGlobe	0.21	10.201555	503	493	493	493	45% 12% Vesta Inc	0.20	4.45	10	45	44	45
9% 7% Scottman	0.10	0.10	0.10	0.10	45 TempGlobe	0.21	10.201555	503	493	493	493	46% 12% Vesta Inc	0.20	4.45	10	45	44	45
9% 7% Scottman	0.10	0.10	0.10	0.10	45 TempGlobe	0.21	10.201555	503	493	493	493	47% 12% Vesta Inc	0.20	4.45	10	45	44	45
9% 7% Scottman	0.10	0.10	0.10	0.10	45 TempGlobe	0.21	10.201555	503	493	493	493	48% 12% Vesta Inc	0.20	4.45	10	45	44	45
9% 7%																		

AMERICA

Firmer dollar and bonds lift US equities

Wall Street

SHARE prices on Wall Street rose strongly in the wake of the cut in German interest rates. Shortly after midday, the scale of the rise triggered the New York Stock Exchange's programme trading circuit breakers, and throughout the afternoon the market clung on to the morning's gains, writes *Nikai Taiti* in *New York*.

By the close, the Dow Jones Industrial Average had gained 70.52 at 3,276.22, having opened more than 35 points up and reaching a level of 3,288.92 by 1pm. The Standard & Poor's 500 was finally 5.66 ahead at 425.24 and the Nasdaq composite 11.20 stronger at 594.31. Turnover on the NYSE amounted to a heavy 250.9m shares, while rises outweighed declines by better than two-to-one.

The market's surge came against the backdrop of a strengthening dollar and a rising bond market. Traders quickly reasoned that these developments would give the Federal Reserve more leeway to lower interest rates, thus helping to shift the stagnating US economy on to a recovery path. Yesterday's advance was said to result from steady demand for stocks by both institutional and individual investors.

A number of leading US corporations were among the market's most actively traded shares in the morning session - most of them showing solid gains. Ford Motor advanced 5% to \$42.54.

On the consumer goods front, Philip Morris, the tobacco and food company, gained 5% to \$55, although its major rival, RJR Nabisco, eased 1% to \$54. Merck, the drug group, was another active situation, firming 5% to \$48.5.

Compaq Computer put on 5% to \$33 on the back of a new product launch and in the wake of International Business Machines' delayed debut for its

low-cost PCs.

Weyerhaeuser, the forest products concern, climbed 3% to \$36. At the end of last week the West Coast-based group said it was delaying the flotation of its Paragon Trade Brands subsidiary because of the diaper price war.

In the banking sector, plans by Shearson Lehman, a subsidiary of American Express, to sell its Boston Company to Mellon Bank for \$1.45bn left Mellon shares down 1% to \$40.1. American Express rose 1% to \$22.5.

Maytag, the home appliances manufacturer, appreciated 5% to 14% on news that it is entering a co-operative alliance with Germany's Bosch-Siemens Hausgerate.

The New York Times said it knew of no particular reason why its shares should advance strongly yesterday; by lunchtime the class "A" stock was 1% ahead at \$38.5.

Canada

TORONTO stocks climbed throughout the day to end sharply higher in the wake of the surprise cut in Germany's key interest rates.

The TSE 300 index rose 29.8 to 3,474.0 and advances led declines by 36 to 202 after a volume of 33.2m shares.

The German rates cut helped the Canadian dollar recover about a third of a cent from last week's sell-off. The rally in the currency paved the way for a hefty cut in the Bank of Canada's key rate on Thursday, money market traders said.

SOUTH AFRICA

JOHANNESBURG was lifted by a number of factors including a higher bullion price and stronger overseas markets. The overall index gained 87 to 3,151 while the industrial index was 84 higher at 4,104.

The gold index rose 48 to 905. Anglos put on 8.20, or 7.2 per cent to R52.25.

Finnish message for devaluation pundits

EUROPE

Weekend package receives qualified approval

THE ERM realignment and the Bundesbank's interest rate cuts, welcome as they were, were seen as only part of the prescription yesterday for keeping Italy straight, and putting the D-Mark out of speculative reach, writes *Our Markets Staff*.

Mr David Roche, the Morgan Stanley strategist, said the package probably did enough for the US dollar. But in Europe, a French No vote on Maastricht could revive monetary tensions, and there was still the possibility of upward pressure on the D-Mark.

For equities, Mr David Bell, director of Europeax strategy at BZW, was happy but cautious. "Bourses may find a new level because the news has changed, but in the short term they are unlikely to head off into the blue on a new bull tack," he said.

Markets might now be on the lookout for more encouraging news, and to place German economic slowdown in that category; but they also may have to face more corporate earnings downgrades.

FRANKFURT decided that the Buba cuts were the beginning of an interest rate downturn, and the DAX index climbed 6.24 to 1,585.04 after a 2.07 rise to 1,583.34 in the FAZ at midsession.

PARIS indicated its pleasure with a 7.61 rise in the CAC-40

ASIA PACIFIC

Nikkei average gains 2 per cent but in low volume

Tokyo

FUTURES-LED trading left shares higher yesterday after recording a day's high of 18,552.78 and low of 18,493.44. Advances outnumbered declines by 589 to 399, with 153 issues unchanged, although turnover was estimated at only 230m shares, compared with 700m on Friday.

The Nikkei index of all first section stocks improved 1.26 to 1,383.11, and in London the

FT-SE Eurotrack 100 - Sep 14
Hourly changes
Open 10.30am 11 am 12 pm 1 pm 2 pm 3 pm close
1061.87 1067.75 1068.11 1068.95 1070.80 1074.33 1074.23 1073.79
Day's High 1075.88 Day's Low 1061.83
Sep 11 Sep 10 Sep 9 Sep 8 Sep 7
1033.59 1027.59 1021.42 1028.38 1032.28
Base value 1000 GBP/1000

Turnover more than doubled from DM3.6bn to DM7.4bn. Within that, there was a dive into the senior international blue chips. Deutsche Bank (interest rate sensitive), Siemens and Daimler-Benz, an obvious dollar stock, turned over more than DM1bn each as they rose DM35.80 to DM647.50, DM33.90 to DM658.50 and DM23.20 to DM617.50 respectively.

Mrs Barbara Altmann of B Metzler in Frankfurt said that the scale of the rise in the DAX reflected the fact that traders were short of stock last week, and nervous about the French Maastricht referendum.

Bund futures had stayed strong in the afternoon, following a drop of 20 basis points to 8.01 per cent in the Buba average bond yield yesterday; this, and the strong opening on Wall Street were seen to bode well for German equities today.

Credito Italiano, which resumed trade after being suspended last week after plans for its privatisation were

announced, was fixed at L1,600, up 15 per cent. It then rose further on the kerb to L1,799, an overall gain of 29 per cent.

Nuovo Pignone, halted for the same reason, was quoted L310, or 10 per cent higher at L3,410. Other leading shares rose steeply. Fiat gained 6.3 per cent, Mediobanca 6 per cent and Montedison 7 per cent.

BASILE and Geneva fielded the trading of Swiss shares with Zurich closed for a local holiday. The SMI index closed 59.9 up at 1,871.1 as lower interest rates lifted the market.

Interest rate and dollar sensitivity ranked highly, banks and insurers making strong gains with CS Holding SF16 higher at SF17.81 and Ciba Geigy bearing SF128 better at SF7.64.

BRUSSELS was boosted by the German news and the Bel-20 index closed up 40.67 to 1,210.25. Companies which rely heavily on exports to the US performed well with Delhaize rising BF70 to BF1,580 while Pfnfina added BF350 to BF1,200.

MILAN responded to devaluation with an 11.95 rise in the Comit index to 379.15, in turn over substantially higher than Friday's close. Profit-taking after an early run-up pulled the market off its highs.

Credito Italiano, which resumed trade after being suspended last week after plans for its privatisation were

main advances, assisted by the stronger dollar. Its B shares put on SKr40 of 15.6 per cent to SKr285. In the forestry sector Stora B shares rose SKr14 to SKr206. HELSINKI's share prices were firmer and the HEX Index rose 15.33 to 588.37, mainly due to gains in the forestry sector.

VIENNA rose strongly after the central bank cut its interest rates to 8%. The ATIX index rose 58.19 to 304.04, just below the day's high of 304.45.

In the financial sector, Erste Allgemeine, the insurer, rose by its daily maximum, adding SKr247 to SKr727. OMV put on SKr67 to SKr738, and Lentz, the textile manufacturer, rose SKr33 to SKr344.

ISTANBUL saw its highest close for more than seven months as the 75-share index advanced 182.14 to 4,514.24 from 75 per cent to 20 per cent. The *Affarsvärlden* index gained 38.5 to 758.9.

Volvo made one of the day's

Air New Zealand, which announces its annual figures soon, moved forward 5 cents to NZ\$2.70.

BANGKOK remained positive following Sunday's general election. The SET index rose 16.05, or 3 per cent, to 517.85 in turnover of Baht1.75bn. It was the largest daily turnover since February 12.

SINGAPORE saw late buying of blue chips, which left the Straits Times Industrial Index 11.16 stronger at 1,380.40.

MALAYSIA's composite index advanced 2.56 to 583.74 in turnover of Mat2.35m.

BOMBAY strengthened in late trading and the BSE index finished 54.93 higher at 3,274.85.

Roundup

GERMANY'S announcement that it was to reduce its interest rates spurred activity, with the financial sector very active. Sumitomo Bank moved ahead Y32 to Y1,730 in volume of 1.47m shares, and Mitsubishi Bank firm Y10 to Y2,850 with some 1.28m shares traded. Nomura Securities advanced Y70 to Y1,700 and Nikko Securities ended Y45 higher at Y780 both in heavy volume.

Blue chip electrics encouraged bargain hunting. Hitachi rose Y92 to Y1,702, Toshiba Y19 to Y1,629, Sony Y10 to Y4,210 and Pioneer Y140 to Y3,360, but NEC slipped Y10 to Y802.

Cement companies were in

on 35.50 to 1,536.70 in turnover of A\$349.8m. News Corp fell 7.8 cents to A\$22.54 on news, after Friday's close, that it plans to raise A\$2.27bn in fresh capital.

Foster's Brewing climbed 11 cents to A\$1.62 after Mr John Elliott and Mr Ken Biggins of International Brewing Holdings resigned from the board.

TAIWAN, shut last Friday for a public holiday, dropped 2.7 per cent to a 28-month low after the detention of Oung Tae, the textile tycoon whose Hualon group is one of the largest in the market, in connection with a stock scandal.

AUSTRALIA saw its largest one-day rise for five months. The All Ordinaries index put

on 37.50 to T\$102.50 and other Hualon-related stocks, Chia Hsin Live and Min Shih, rose, also fell sharply.

HONG KONG remembered its link to the US dollar again as the Hang Seng index appreciated 69.86 to 5,597.15, but turnover was down from HK\$1.6bn to HK\$1.5bn.

HSBC was the most active issue, rising HK\$1.50 to HK\$555

per cent ahead. The NZSE-40 index gained 17.92 to 1,479.09 in turnover of NZ\$2.3m.

The breweries sector gained ground, Lion Nathan adding 16 cents to NZ\$4.46 and Magna putting on 5 cents at NZ\$1.07, but volume remained light.

RUSSIA-JAPAN-KOREA SUBMARINE CABLE PROJECT (R-J-K CABLE SYSTEM)

PREQUALIFICATION NOTICE

Intertelecom AO/GN Great Northern Telegraph Co./Telecom Denmark Ltd./Kokusai Denshin Denwa Co., LTD.(KDD) and Korea Telecom will invite tenderers for the design, manufacture and installation of an Optical Fibre Submarine Cable System between Nakhodka (Russia), Naoetsu (Japan) and Pusan(Korea). System specifications and requirements are as follows:

Cable System: 560Mbps per fibre pair providing 7,560 64Kbps circuits

Configuration: Nakhodka - Naoetsu (1 fibre pair)
Nakhodka - Pusan (1 fibre pair)
Pusan - Naoetsu (1 fibre pair)

Three Cable Stations will be connected by an underwater passive branching unit.

Cable Length: Approx. 1,700Km in total and partly buried.

Ready For Service date: Early 1995

The pro-rata Russian contribution to the Project is expected to be financed in part or in whole by the European Bank for Reconstruction and Development. A full turn-key single contract is expected to be awarded in mid 1993 following an international competitive tender, including laying and commissioning, to qualified companies and consortia.

Individual companies and consortia who have the capability to complete this major Project and who wish to be considered for prequalification are invited to submit a capability statement containing:

- i. company profile including type and size of the company, and financial statements for the last 2(two) years;
- ii. details of similar submarine system projects completed in the last 10(ten) years;
- iii. current contracts being executed and future commitments, by value and completion date; and
- iv. ability to perform the work as described above.

Six(6) copies of capability statements should be forwarded to the following address:

Dr. Y. Niilo
Interim Procurement Group Chairman, Russia-Japan-Korea Submarine Cable System C/O
Submarine Cable Systems Department, Network Development Headquarters KDD #3-2, Nishishinjuku, 2-Chome, Shinjuku-ku, Tokyo 163-03, Japan
Tel. +81 3 3347 7353 Fax. +81 3 3347 5160

The deadline for submission of capability statements is October 15th, 1992.

Companies and consortia seeking information should contact Dr.Y.Niilo, R-J-K IPG Chairman, at the above address. Prequalified bidders will be invited to prepare their bids in accordance with tender documents to be issued in mid November 1992.

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	MONDAY SEPTEMBER 14 1992						FRIDAY SEPTEMBER 11 1992						DOLLAR INDEX					
	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	Dm Index	Local Currency Index	% chg on day	Gross Div Yield	US Dollar Index	Pound Sterling Index	Yen Index	Dm Index	Local Currency Index	1992 High	1992 Low	Year ago (approx)		
Australia (88)	133.15	+4.0	104.29	104.52	102.82	120.77	+3.0	4.15	127.95	98.59	100.46	96.45	117.31	153.88	124.36	151.27		